

DELTA SIGMA THETA SORORITY, INCORPORATED
**NATIONAL INTERNAL
AUDIT COMMITTEE**

INTERNAL AUDIT
MANUAL
2016



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CHAPTER INTERNAL AUDIT POLICIES AND PROCEDURES

The information set forth in this document provides policies and procedures for the audits of local chapters of Delta Sigma Theta Sorority, Incorporated. It should be used to assist chapters in conducting audits to ensure appropriate internal controls are in place to safeguard and account for the chapter's assets.

Although chapters may set local audit policies, they must not be in conflict with the Constitution and Bylaws, Chapter Management Handbook, the National Internal Audit Manual, the National Fiscal Officers Manual or any other governing documents of Grand Chapter.

All chapters should have fiscal policies and procedures in place that define in detail specific guidelines for the handling of the chapter's fiscal operations. (See examples of Fiscal Policies and Procedures and Audit Policies and Procedures included in this manual)

All fiscal officers and the Chair, Internal Audit are strongly encouraged to attend finance and audit workshops at least once a year.

These workshops are normally offered at Regional Conferences, National Conventions, Cluster or State Meetings or local chapter meetings. In addition, training may be obtained via webinar.

Note: A Glossary has been provided at the end of this document. Terms that are defined are in **bold** print throughout the document.

NATIONAL INTERNAL AUDIT WEBSITE INFORMATION

Audit information, forms, and publications, can be found on the Delta Sigma Theta Sorority, Inc. website at www.deltasigmatheta.org.

INSTRUCTIONS

1. Enter the Members Only Area using your credentials.
2. Navigate to the National Committee tab.
3. Scroll down to the Internal Audit section.

Disclaimer:

Please be sure to check the National website regularly for any changes or updates to finance and audit policies, procedures and guidelines.

KEY AUDIT REPORTING DATES

ANNUAL SUBMISSIONS

Annual Internal Audit Report (IAR-1)
 External Review/Audit of Financial Statement
 Annual Financial Report – Collegiate
 Annual Financial Report – Alumnae
 Acceptance of Responsibility Forms

Due Date

August 31st
 August 31st
 August 31st
 August 31st
 August 31st

QUARTERLY SUBMISSIONS

Quarter 1 (July through September)
 Quarter 2 (October through December)
 Quarter 3 (January through March)
 Quarter 4 (April through June)

Due Date

December 1st
 March 1st
 June 1st
 August 1st

All reports MUST be filed in the Red Zone.

The schedule below is a recommendation which can be used for planning chapter audits.
 The only mandatory dates are the **Red Zone** filing deadlines.

Transaction Period	Chapter Audit Committee Begins Audit	Report to Chapter by	Must File in the Red Zone by
Q1 July 1 - September 30	2nd week in October	2nd week in November	Dec. 1
Q2 October 1 - December 31	2nd week in January	2nd week in February	Mar. 1
Q3 January 1 - March 31	2nd week in April	2nd week in May	Jun. 1
Q4 April 1 - June 30	2nd week in July	Sep. Chapter meeting	Aug. 1
Annual IAR-1	N/A	Sep. Chapter meeting	Aug. 31
External Audit/External Review	N/A	Sep. Chapter meeting	Aug. 31

All audit reports MUST be presented to the fiscal officers first, then the executive board, and then to the chapter.

ROLES AND RESPONSIBILITIES

INTERNAL AUDIT COMMITTEE

The Internal Audit Committee should consist of an elected chair plus two to four members who perform quarterly and annual reviews of the chapter's financial records. If a chapter's membership is small, the size of the committee may be decreased.

Use of an Assisting Soror

A chapter operating under special dispensation or a chapter with less than four members will need to use an **Assisting Soror** to complete the internal audits. The **Assisting Soror** cannot be a member of the chapter needing assistance. She may be a current or former financial officer of another chapter or a soror with financial/accounting expertise. If the chapter has less than four members an **Assisting Soror** is required even if the current chapter president is the immediate past Chair, Internal Audit

NOTE: Chapter advisors are not permitted to conduct internal or external audits for chapters they advise.

CHAIR, INTERNAL AUDIT COMMITTEE

The Chair, Internal Audit Committee is elected by the chapter. Her duties include:

- Preparing and submitting the Quarterly and Annual IAR-1 reports in accordance with current guidelines and procedures
- Meeting with the chapter fiscal officers regarding the financial review findings and recommendations
- Reporting audit findings and recommendations to the fiscal officers, executive board, and chapter on a quarterly basis
- Documenting recommended improvements to internal control weaknesses
- Notifying the chapter of any weakness in financial structure and recommending improvements

ROLES AND RESPONSIBILITIES – CONTINUED

MEMBERS, INTERNAL AUDIT COMMITTEE

All members, other than the chair, are appointed by the chapter president. The committee members assist in the preparation of the Quarterly and Annual IAR-1 reports in accordance with current guidelines and procedures. Audit Committee members are most effective when they have some knowledge of the chapter's fiscal operations. Members of the audit committee **may not** be current fiscal officers (president, financial secretary, treasurer or assistants to these positions) or members of the chapter's current Budget/Finance Committee. **Immediate-past fiscal officers can be members of the committee as long as they are not auditing financial transactions that occurred during their tenure.**

Knowledge of the chapter's fiscal operations helps committee members fulfill their responsibilities which include:

- Assisting in the preparation of the IAR-1 reports (quarterly or annual)
- Ensuring adherence to budget line items
- Ensuring adherence to separation of fiduciary responsibilities
- Recommending for chapter approval an independent auditor for the annual review, as applicable
- Reviewing and proposing internal controls
- Reviewing the chapter financial records and indicating any material weaknesses in controls
- Verifying balances for all accounts
- Verifying expenditures and supporting documentation (receipts, invoices, etc.) for the period
- Verifying receipts (income) for the period
- Verifying the existence of and chapter adherence to internal controls

ACCEPTANCE OF RESPONSIBILITY FORM

In order to ensure that the Chair, Internal Audit Committee clearly understands, acknowledges, and accepts her responsibilities, she shall submit the following Acceptance of Responsibility Form by August 31 of each year:

Chair, Internal Audit's Acceptance of Responsibility

As Chair, Internal Audit Committee, you have a responsibility to the chapter to ensure that the chapter's resources (cash, investments, etc.) are appropriately safeguarded, used and accounted for during your term in office. Your duties are summarized below. Your signature on this document reflects a clear understanding, acknowledgement, and acceptance of the most important trust the chapter has placed in you. In order to ensure that this responsibility is clearly understood, the signed Acceptance of Responsibility Statement will serve as your acknowledgment and acceptance of this most important trust the chapter members have placed in you.

I, _____, as the duly elected and installed Chair, Internal Audit Committee, of the _____ Chapter

of Delta Sigma Theta Sorority, Incorporated, do hereby acknowledge and affirm my responsibility to the above named chapter. As the Chair, Internal Audit Committee, I will:

1. Conduct quarterly audits and the annual audit according to the due dates established by the National Internal Audit Committee
2. File the IAR-1's and the Annual IAR-1 in the Red Zone according to the due dates established by the National Internal Audit Committee
3. Discuss the draft recommendations and findings on a quarterly basis with the fiscal officers
4. Report the findings and recommendations of the audits to the executive board and then to the chapter on a quarterly basis.

I have read and understand the duties of the Chair, Internal Audit Committee as outlined in the Internal Audit Manual and other governing documents of Delta Sigma Theta Sorority, Incorporated.

Date _____ Name _____ Signature _____

UPLOAD in The Red Zone by August 31st.
Maintain a copy for chapter records.

TRANSITION OF CHAPTER OFFICERS

Chair, Internal Audit

All **Detailed Audit Reports**, detailed **Audit Work Papers**, **Summary Audit Reports** and electronic files should be transitioned to the incoming Chair, Internal Audit.

Details surrounding outstanding checks or other issues which may impact the next audit should be discussed and documented.

The incoming Chair, Internal Audit is responsible for completing and uploading the quarterly IAR-1 form due on August 1st of each year. The outgoing Chair, Internal Audit should assist in this process.

QUARTERLY AUDITS OF CHAPTER ACCOUNTS

QUARTERLY AUDITS

Quarterly chapter audits should consist of a detailed review of financial records. The audit activity verifies and ensures the accuracy of the dollar amounts, and assesses the chapter's procedures and internal controls. Audits are an important and irreplaceable tool in the effort to safeguard chapter assets. It is critical that the chapter's internal audit committee performs quarterly audits of the financial records.

Quarterly audits by the Internal Audit committee should include:

- Verification of the receipts for the period being audited
- Verification of disbursements (expenditures) for the period being audited
- Verification of member **dues**
- Verification of savings and checking account balances
- Verification that account balances have been reconciled
- Ensuring that expenditure documentation exists (receipts, invoices, etc.)
- Ensuring adherence to budget line items
- Ensuring adherence to separation of fiduciary responsibilities

In addition, the Chair, Internal Audit Committee must go online into the Red Zone to complete and sign the **Quarterly Audit Form** for each quarter. The chapter president must also go online into the Red Zone and sign each **Quarterly Audit Form**.

SAFEGUARDING CHAPTER ASSETS

INTERNAL CONTROLS

Safeguarding Chapter Assets

The chapter's fiscal officers have a fiduciary responsibility to safeguard chapter assets in order to prevent losses, limit unauthorized access to assets, promptly disclose discrepancies and provide accurate financial information. This includes cash, checking accounts and investments. **The misappropriation of funds is due primarily to fiscal officers not performing their duties and responsibilities as defined in the Chapter Management Handbook, the Fiscal Officers Manual and the chapter's financial policies and procedures.** All chapters should have chapter policies and procedures in place that define internal controls for safeguarding chapter assets and document the responsibilities of each fiscal officer. Internal control procedures should include but not be limited to the following:

- Preparing account/bank reconciliation monthly
- Depositing funds within two business days of receipt by the chapter's treasurer
- Preparing and presenting monthly financial statements to the financial chapter members. Statements can either be written or disseminated electronically in a manner consistent with the Delta Internet Guidelines.
- Conducting internal quarterly audits and the annual audit/financial review
- Having adequate bonding of chapter fiscal officers (president, treasurer, financial secretary, assistant treasurer, assistant financial secretary)
- Requiring a minimum of two signatures on checks. (Fidelity bond carrier requests countersignatures on all accounts)
- Transacting all financial business (collecting funds and writing checks) during, before or after chapter meetings, executive board meetings or any time or place designated by the president and fiscal officers
- Encouraging use of certified checks, personal checks and money orders as the preferred method of collecting all chapter **dues**, fees and other funds. The collection of cash is strongly discouraged.
- Issuing checks only when expenditures are authorized
- Using a voucher system for all transactions
- Obtaining sales slips, invoices, receipts, etc. to support payment vouchers
- Prohibiting the issuance of checks payable to CASH
- Under **NO** circumstances should checks be pre-signed
- Under **NO** circumstances should fiscal officers sign checks made payable to themselves
- Chapter credit cards/debit cards **shall not** be obtained or issued to members
- All chapter correspondence with financial institutions including bank statements, checks, invoices or contracts shall be viewed online or mailed to the chapter's official mailing address, **not** to the home or work address of **any** chapter member. Bank statements may be obtained electronically.
- All receipts for funds collected shall be written immediately and distributed within 30 business days
- Remove the handling and recording of a transaction from start to finish by one person. This means the handling of income and disbursements must be the responsibility of different fiscal officers

COMPLIANCE REQUIREMENT – ANNUAL AUDIT OF CHAPTER ACCOUNTS

Annual Internal Audit Report

The Constitution and Bylaws requires that: “The books of a chapter shall be audited by a certified public accountant or an audit committee within 30 days of the close of the fiscal year.” (2015 Edition, Article X Section 12 B). **Note:** Each quarterly audit filed for the chapter in the Red Zone is rolled up into the IAR-1 Annual Audit Form which serves as the annual audit by the chapter’s internal audit committee. The audit report shall be submitted using the online system in the Red Zone by August 31st.

Gross Receipts	Requirements	Performed by
Level 1: \$0 - \$50,000	<ul style="list-style-type: none"> • IAR-1 Annual Audit Form 	Internal Audit Committee
Level 2: \$50,001 - \$100,000	<ul style="list-style-type: none"> • Review of Financial Statements • IAR-1 Annual Audit Form 	Certified Public Accountant (CPA) with an active license Internal Audit Committee
Level 3: More than \$100,000	<ul style="list-style-type: none"> • Audited Financial Statements • IAR-1 Annual Audit Form 	Certified Public Accountant (CPA) with an active license Internal Audit Committee

In addition, the Chair, Internal Audit must go online in the Red Zone to:

1. Verify that the information entered for the 1st, 2nd, 3rd and 4th quarters has accurately rolled up to the Annual IAR-1.

Note: The **gross receipts** entered on the **Annual Financial Report** must equal the sum of the **gross receipts** shown on the Annual IAR-1.

2. Upload the **Signature Page** documenting the Internal Audit Committee members who participated in the quarterly audits.

Note: The **Signature Page** can only be uploaded during the Annual IAR-1 process. A sample **Signature Page** is included in this manual.

3. Provide assessment of the chapter’s internal controls by completing the questionnaire.

NOTE: Failure to submit the Internal Audit Report (IAR-1) and/or uploaded version of the external audit to the Red Zone by August 31st is a violation of the Constitution and Bylaws and may be subject to sanctions and fines as stated in Section 5C of the Code of Conduct.

THE INTERNAL AUDIT COMMUNICATION PROCESS

Every successful audit is based on sound planning, constructive involvement, and effective communication. Reporting is one of the most important parts of the auditing process.

A Collaborative Effort

During each phase of the audit process, the Internal Audit Committee is encouraged to discuss any significant findings with the chapter's fiscal officers. Typically, these communications are oral; however, in more complex and delicate situations, written communication serves best in providing the chapter's fiscal officers and the chapter president a full understanding of the issue or concern.

The audit process works best when the chapter's fiscal officers and the Internal Audit Committee have a solid working relationship based on clear and continuing communication. The input and guidance of the Internal Audit Committee on sensitive matters can be very useful to effective communication in audit reports, and in other chapter fiscal and operational issues. The goal of communication is that there are no surprises.

Advice and Informal Communication

Generally, when a good working relationship has been established with the chapter's fiscal officers, the Internal Audit Committee can help evaluate the feasibility of making changes or modifications in how the chapter's fiscal operations are conducted.

Purpose of the Audit Reports

The culmination of the internal audit is two reports: The **Summary Audit Report** and the **Detailed Audit Report**. The **Summary Audit Report** notifies the chapter of any weaknesses in the financial structure of the chapter by way of findings, and provides recommendations for improvement. These findings and recommendations should be expressed objectively, and contain all information necessary for the chapter to fully understand the reported issues. If the **Summary Audit Report** is communicated well, it can have a positive impact on prompting corrective action. See the back of this manual for examples.

REMEMBER: Every successful audit is based on sound planning,
constructive involvement and effective communication.

THE INTERNAL AUDIT COMMUNICATION PROCESS – CONTINUED

Writing an effective audit report starts with a clear understanding of how the report will be used, viewed, and acted upon. Written documentation stands alone and must always be **clear, concise, and correct**.

The **Summary Audit Report** has three major objectives: to inform, persuade and obtain results.

- Inform- communicate audit results
- Persuade- convince leadership that the comments put forth are valid and worthwhile
- Obtain results- leadership takes appropriate action to address issues

The Internal Audit Committee uses this report to present the audit findings, discuss recommendations for improvements, and express an opinion. The report should first be presented to the fiscal officers for review, then to the executive board, and lastly to the chapter.

Note: Both the **Summary Audit Report** and Detailed Audit Report can be made available to the chapter membership using a secure online storage mechanism in accordance with the Delta Internet Guidelines.

This report should be designed to assist chapter leadership in measuring its own performance, particularly with respect to the reliability of established internal controls as outlined in the chapter's policies and procedures and in the sorority's Chapter Management Handbook. The Internal Audit Committee should report any audit findings and recommendations to the chapter after each audit.

To facilitate communication and ensure the practicality of recommendations presented, the Chair, Internal Audit Committee will review the **Summary Audit Report** with the chapter fiscal officers prior to the issuance of the report. The expectation is that the chapter's fiscal officers will explain how report findings will be resolved and include a timeline as to when this will occur.

THE INTERNAL AUDIT COMMUNICATION PROCESS – CONTINUED

During this review, be sure to:

- Identify the key issues
- Suggest recommendations that address the identified issues
- Solicit the chapter's fiscal officers' response to the issues and recommendations
- Share the intended rating of the audit on the **Quarterly Audit Form**, represented as one of the following:
 - A. The chapter has **satisfactory financial internal** controls and the review supports the existence and utilization of these controls
 - B. The chapter has satisfactory financial internal controls but the review **does not** support the utilization of these controls.
 - C. The chapter **does not have** satisfactory financial internal controls and the review supports the lack of their existence.

When the review has been completed, the Internal Audit Committee should make any agreed upon changes to the audit reports and the Chair, Internal Audit Committee will then read the **Summary Audit Report**, including the IAR-1 rating, to the executive board and provide a copy of both the Summary Report and the **Detailed Audit Report** (described below) to the Recording Secretary. Once this occurs the **Summary Audit Report** and the Detailed Audit Report can be made available to the chapter membership using a secure online storage mechanism in accordance with the Delta Internet Guidelines.

The Detailed Audit Report

The **Detailed Audit Report** contains the comprehensive results of the audit testing which supports the information in the **Summary Audit Report**. See the back of this manual for an example.

Remember to:

- Ensure that the report is clear, concise, and free of unnecessary detail
- Be consistent in any conclusions expressed
- Summarize any descriptions of operating policies and procedures referenced
- Provide a report that is easily understood, presented logically, and is to the point
- Make certain that the tone of the writing is constructive and balanced throughout
- Use graphics or attachments, as appropriate, which help to convey points or provide additional information (ex: show where a check was written without the two required signatures).

A copy of the **Detailed Audit Report** should be made available for review at the executive board meeting and also to the chapter when the recommendations and findings are presented to the chapter along with the **Summary Audit Report**.

All reports MUST be presented to the fiscal officers first, then the executive board, and lastly to the chapter.

PLANNING

Audit Schedule

- At the beginning of the fiscal year (July), meet with the fiscal officers and agree on the schedule and scope for completing the chapter's quarterly and annual audits. For example, the treasurer will present the books for quarterly audits no later than two (2) weeks following the end of the quarter.
- Agree on the date for completing and presenting the audit report.
- Determine if the services of a **CPA** will be needed. See page 81 for information on hiring a **CPA**.

Audit Planning

- Request the following documents from the fiscal officers indicated at least four (4) weeks prior to the planned start of the audit to ensure that the items requested are available based on the agreed upon audit schedule. (See above).

President:

- Copies of email and or correspondence sent from merchant and/or PayPal accounts if any

Treasurer:

- Current internal control procedures (Chapter Policies and Procedures)
- Chapter budget
- Financial reports for the audit period
- Disbursements register/log
- Check stubs or copies for all bank accounts
- Bank statements (including copies of cancelled checks for checking accounts)
- Bank reconciliation(s) for all bank accounts
- Duplicate deposit slips for all bank accounts
- Vouchers and supporting invoices for all disbursements during the audit period
- Financial correspondence from banks and merchant accounts

Financial Secretary

- Receipt records register (log)
- Receipts book for the audit period
- Financial reports for audit period
- Membership records for the audit period (including **dues** transmittals)

Recording Secretary

- Copies of the chapter minutes
- Copies of the executive board minutes

SAMPLING METHODS

AUDIT PROCEDURES

Sample Selection Process

When an auditor examines less than 100% of the transactions, a sample is selected by the auditor. When selecting samples, the auditor should make sure that each transaction has an equal chance of selection. There are four common sampling methods which are divided between Statistical and Nonstatistical. Chapter Internal Audit committees should only use statistical sampling methods when selecting samples for audit purposes.

Statistical Sampling

1. **Random sampling** - Ensures that all combinations of sampling units in the population have an equal chance of selection.
2. **Systematic sampling** - Relies on arranging the study population according to some ordering scheme and then selecting elements at regular intervals through that ordered list. Systematic sampling involves a random start and then proceeds with the selection of every k th element from then onwards. In this case, $k = \text{population size} / \text{sample size}$. It is important that the starting point is not automatically the first in the list, but is instead randomly chosen from within the first to the k th element in the list. A simple example would be to select every 10th voucher from the population of vouchers created during the quarter.

Nonstatistical Sampling

Nonstatistical samples are less likely to be representative of the population.

1. **Haphazard sampling** - members of the population are chosen based on their relative ease of access. Example: Selecting vouchers that are on hand rather than waiting for all of the vouchers created during the quarter to be provided.
2. **Judgmental sampling** – The auditor selects all transactions meeting specified criteria such as all transactions over a specific dollar value or with a specific characteristic such as **dues payments**.

BANK BALANCES

The bank balances represent the amount of cash available in the chapter's bank accounts.

Objectives of the Review

- Ensure the chapter bank balances are accurate
- Ensure the chapter discloses all bank accounts and balances
- Ensure the bank account reconciliations are performed monthly and are accurate

Records Needed to Perform the Audit of Bank Balances

- Chapter financial reports
- Check registers
- Bank statement and cleared checks or images
- Validated bank deposit slips
- Receipt books
- Receipt register/logs
- Fiscal Policies and Procedures

DETAILED AUDIT STEPS – Download the Audit Work Papers from the National website

1. Identify all of the chapter's bank accounts.
 - a. Examine the chapter's financial reports and/or the **Annual Financial Report** and identify all bank accounts.
 - b. Identify the type, account number and bank (institution).
 - c. Identify the names and positions of the check signers.
 - d. Identify the number of check signers required for each account.
2. Perform a "sanity" check on the ending bank balances.
 - a. Use the following equation to ensure that the treasurer's reports have captured all bank activity.

$\text{Beginning Bank Balance} + \text{Current Quarter Receipts} - \text{Current Quarter Disbursements} = \text{Ending Bank Balance}$

Note: Investigate any differences greater than 5%

BANK BALANCES – CONTINUED

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

DETAILED AUDIT STEPS

1. Identify all of the chapter's bank accounts.

(Include **ALL** accounts. Ex. checking, savings, CD, CIA, money market)

How many accounts does the chapter have?

	Type of Account	Account Number	Bank/Institution Name	Chapter Book Balance (Ending)	Bank Statement Balance (Ending)	# of check signers required?
a.						
b.						
c.						
d.						
e.						

Grand Total

Beginning Bank Balance + Current Quarter Receipts - Current Quarter Disbursements = Ending Bank Balance

Note: Using the **Grand Total** above investigate any differences greater than 5%

Authorized Check Signers

Note: This Check Signers name and position must be MANUALLY entered each quarter in the **Red Zone** where indicated.

Name	Position

BANK RECONCILIATIONS

The bank reconciliation is prepared monthly by the chapter treasurer. It explains the difference between the balance on the bank statement versus the balance in the chapter's check register as of a specific date. The bank reconciliation identifies any differences or irregularities, such as:

- **Deposits in Transit** – which are deposits not yet added to the bank balance
- **Outstanding checks** – checks that are recorded in the check register that have not been presented to the bank, thus, not deducted from the bank balance
- **Service charges and interest income** – deductions and additions shown on the bank statement
- **NSF (nonsufficient funds)** – a check that has been returned due to insufficient funds in the drawer's account

NOTE: The chapter's **Book Balance** does **NOT** have to equal (be the same as) the **Bank Balance**. For example, there may be outstanding checks or deposits which will cause a difference.

SAMPLE BANK RECONCILIATION

Ending Balance per Bank Statement (4/30/XX)		\$ 40,392.09
Deposit in Transit		\$ 925.00
Outstanding Checks		
5428 City of XYZ	\$ 10.00	
5438 Staples	\$ 82.75	
5460 Faith Fellowship	\$ 150.00	
5465 Jackson Elementary	\$ 400.00	
5472 Kinko's	\$ 19.98	
Total Outstanding Checks		(\$ 662.73)
Balance		\$40,654.36
Balance per Check Register(4/30/XX)		\$40,654.36

NOTE: If the treasurer is not preparing monthly bank reconciliations, this is a finding that should be reported along with a corresponding recommendation.

BANK RECONCILIATIONS -CONTINUED

DETAILED AUDIT STEPS – [Download the Audit Work Papers from the National website](#)

1. Bank Reconciliation (all accounts)
 - a. Obtain the bank statement for the end of the audit period and compare the balance per the bank statement with the balance amount in the check register.
 - b. Obtain copies of the bank reconciliation and verify that the bank reconciliation explains any difference between the bank balance and the check register balance.
2. Verify the accuracy of the bank reconciliation for each account.
 - a. Verify the math accuracy.
 - b. Ensure the bank balance per the bank reconciliation matches the balance on the bank statement.
 - c. Ensure the bank statement's beginning balance matches the prior month's bank statement ending balance to confirm that there are no missing interim statements.
 - d. Ensure the checkbook balance at the end of the quarter matches the balance on the bank reconciliation.
3. Verify the bank reconciliation's outstanding checks list.
 - a. Compare the prior month's bank reconciliation list of outstanding checks with the current month's bank statement to identify cleared checks. Checks that do not appear on the bank statement should be listed as outstanding checks for the current month.
 - b. Obtain the check register for the month and reconcile the check amounts and dates to the bank statements. Issued checks that do not appear on the bank statement should be listed as outstanding checks.
 - c. Review the subsequent month's bank statement to identify outstanding checks omitted from the bank reconciliation. Checks with issue dates on or before the end of the audit period should be listed as outstanding.
4. Verify the deposits on the bank reconciliation.
 - a. Compare the prior month's deposits in transit amounts with the current month's bank statement to identify cleared deposits. Deposits that do not appear on the bank statement should be listed as outstanding and compared to validated deposit slips.
 - b. Obtain the check receipts register for the month and reconcile the checks/cash received amounts and dates to the bank statement deposits. Deposits that do not appear on the bank statement should be listed as deposits in transit.
 - c. Reconcile the deposits in transit to a validated deposit slip.

MERCHANT ACCOUNTS AND DEBIT CARDS

- Chapters **MAY NOT** SECURE OR ISSUE CREDIT OR DEBIT CARDS.
- Chapters **may obtain** merchant accounts or secure online payment systems such as PayPal to accept credit and debit card charges for fundraisers and dues.
- Chapters **may use** online software or event services such as Eventbrite and Constant Contact to accept charges for fundraisers and events.
- The sale of Delta merchandise through chapter websites or online payment systems is prohibited.
- The Merchant Account must be in the name and Tax Identification Number (TIN) of the chapter.
- The application to obtain a merchant account must be in the name of the chapter and be signed by the chapter president.
- The chapter does not have to assume the fees associated with the account. Associated fees can be passed on to the consumer/soror, except in the case of **dues**. Merchant account fees cannot be added to **dues**.
- All statements and correspondence regarding the merchant account(s) must be mailed to the chapter's official mailing address.
- All funds received through merchant accounts must be credited to the applicable chapter account. Chapters must establish and maintain written policies and procedures for the acceptance of credit/debit cards including the secure retention/storage/destruction of credit card information.
- Chapters must safeguard cardholder information and restrict access to credit card data and equipment.
- Chapters are required to conduct quarterly/annual audits and must include the merchant account in the chapters auditing program.
- The electronic receipts provided by the online payment systems are acceptable.
- The systems should be set up to deliver the receipts to the payor and the chapter financial secretary electronically.
- The receipts should include the name, the contact information, a description and the amount of the transaction.
- The financial secretary's report should detail the amount of receipts received via the online payment system for each line item in her report, as applicable.

Note: The electronic receipts still need to be documented in the financial secretary's log indicating that they were received via the online payment system.

MERCHANT ACCOUNTS AND DEBIT CARDS – CONTINUED

DETAILED AUDIT STEPS - [Download the Audit Work Papers from the National website](#)

1. Obtain list of all applicable transactions.
2. Verify that no Delta merchandise was sold using the merchant account.
3. Verify that the account is in the name and tax identification number (TIN) of the chapter.
4. If this is the first year of having such an account, verify that the account is in the name of the chapter and signed by the chapter president.
5. Review correspondence and statements received regarding the merchant account.
6. Review the written policies and procedures for the acceptance of credit/debit cards including the secure retention/storage/destruction of credit card information and ensure that it is being followed.
7. Verify that fees charged by the merchant account have not been passed on to sorors who used the PayPal account to remit dues to the chapter.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

	Yes	No	N/A	COMMENTS
Was Delta merchandise sold using a merchant account ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Is the account is in the name and tax identification number (TIN) of the chapter?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
If this is the first quarter having this account, is the account in the name of the chapter and signed by the Chapter President?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Has the correspondence and statements received regarding the merchant account been reviewed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Have the written policies and procedures for the acceptance of credit/debit cards including the secure retention/storage/destruction of credit card information been reviewed to ensure that it is being followed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Have fees charged by the merchant account been passed on to individuals who used the account to pay dues?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

ONLINE BANKING

Online Banking

Online banking allows chapters access to bank deposit accounts through the Internet to perform various financial activities. Many major banks provide account management services which provide:

- Individual and customized authorized access levels to accounts including Bill Pay
- Flexibility to limit or block certain transactions
- Ability to manage users in a centralized control center
- Compatibility with money managing programs such as Quicken, QuickBooks and Microsoft Money
- Email alerts for notification when checks clear or when the balance slips below a certain level.

To perform online banking functions, chapters must use account management services which allow online dual authorization for the movement of funds such as bill payment or funds transfer. The account must allow the chapter to set up an email alert to ensure both the president and the treasurer in the event of an online transaction. Please note that minimum balance requirements or monthly service fees may be assessed when using account management services.

The permissible online banking activities include:

- Viewing account balances and transactions.
- Funds transfer between chapter accounts.
- Viewing images of canceled checks.
- Printing copies of canceled checks or duplicate bank statements.
- Requesting stop check payment requests.
- Conducting bill payment transactions.
- Downloading bank transaction activity into compatible money managing programs.

Documentation

When performing transfers of funds between chapter accounts or bill payment transactions, a check voucher request should be completed by the committee chair, if applicable and approved by both the chapter president and treasurer. Next, the transfer or bill payment confirmation should be printed and attached to the voucher to document the transaction.

ONLINE BANKING - CONTINUED

Chapter Policies and Procedures

Chapter policies and procedures should designate the chapter president and treasurer as the only authorized users of online banking. Therefore, the user names and passwords should be restricted to the authorized users. Passwords should change after each administration. Other topics that should be addressed are:

- Whether bills can be paid online and which types of bills are permissible.
- Who can pay the bills online.
- What verification or document images of the transactions must be maintained.
- Internal audit procedures to include the quarterly review of online transactions.
- Computer and mobile phone security policies to guard against ID theft and to safeguard assets.

Note: If the chapter receives paper bank statements, they should always be mailed to the chapter post office box.

DETAILED AUDIT STEPS– [Download the Audit Work Papers from the National website](#)

1. Obtain list of all applicable transactions.
 - a. Review the chapter's policies and procedures to verify that online banking has been addressed.
 - b. Obtain documentation of all balances affecting online transactions. (i.e. transfer between accounts, disbursements of funds).
 - c. Verify that a voucher request was completed by the committee chair, if applicable and that it has been approved by the president and treasurer.
 - d. Verify that the transfer or bill payment confirmation is attached to the voucher.
 - e. Review the attached documentation of the completed payment and verify that the details match the voucher request.
 - f. The Chair, Internal Audit shall verbally verify that the incoming president and treasurer have changed the usernames and passwords.

ONLINE BANKING – CONTINUED

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Quarter	Do the chapter's policies and procedures address online banking?		Does documentation exist for all transactions?		Does a voucher approved by the President and Treasurer exist for each transaction?		Is the transfer or bill payment confirmation is attached to the voucher?		Do the completed payment details match the voucher request?		Did the Chair, Internal Audit verify the exchange of usernames and passwords, if applicable?		Comments
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

AUTOMATIC CHECK DEPOSITS

AUTOMATIC CHECK DEPOSITS

- Chapters must establish and maintain written policies and procedures for the acceptance of checks including the secure retention/storage/destruction of checks when using an automatic check acceptance solution.
- Chapters should obtain the appropriate automatic check acceptance equipment for processing checks written to the chapter.
- Chapters must safeguard check writer information and restrict access to check processing data and equipment.
- The safeguard of check writer information includes restricted access to processed checks. Processed checks **should not** be retained at a soror's home.
- Chapters must retain the original checks with the rest of the chapter's historical financial records until the end of the current sorority year, but no less than 60 days after the check has cleared the bank and has been reconciled to the cash receipts report (check retention period).
- After the check retention period, chapters should securely destroy checks (i.e. shred).

NOTE: Cell phones are NOT an acceptable form of automatic check processing.

AUTOMATIC CHECK DEPOSITS

DETAILED AUDIT STEPS - [Download the Audit Work Papers from the National website](#)

1. Verify that the chapter has written policies and procedures for the acceptance of checks including the secure retention/storage/destruction of checks when using an automatic check acceptance solution.
2. Verify that processed checks are not retained beyond the retention period.
3. Verify that the original check has been retained for at least 60 days after the check has cleared the bank.
4. Verify that the check has been reconciled to the cash receipts report.
5. Verify that checks are securely destroyed (i.e. shred) once the check retention period has passed. (i.e. the end of the current sorority year)

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Quarter	Verified chapter has written policies and procedures for the acceptance of checks including the secure retention/storage/destruction of checks?		Verified that processed checks are not retained beyond the retention period?		Verified that the original check has been retained for at least 60 days?		Verified that the check(s) has been reconciled to cash receipts report?		Verified that checks are destroyed once the check retention period has passed?		Comments
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

RECEIPTS VERIFICATION

The receipts represent the total funds collected from **dues**, conferences, fundraising, etc. Receipts are generally recorded in a receipts register.

Objectives of the Review

- Ensure that all cash/check receipts are deposited in a timely manner (within two (2) business days of receipt)
- Confirm that the receipts are recorded accurately

Records Needed to Audit the Receipts

- Chapter financial reports
- Finance committee minutes/reports
- Bank statements
- Validated bank deposit slips
- Receipt books
- Receipt register/logs

DETAILED AUDIT STEPS – [Download the Audit Work Papers from the National website](#)

Verify Gross Receipts

Verify **Gross Receipts** for the audit period

1. Compare the financial secretary's total monthly receipts with the Bank Statement deposits.
 - a. Calculate the month and audit period to-date totals to identify total receipts per the financial secretary and total receipts per the bank statements.
 - b. Identify differences as audit exceptions.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Verify Gross Receipts

	Monthly Receipts per the Financial Secretary's log/report	Monthly Receipts per the bank statement	Difference	Comments
1. Compare the Financial Secretary's total monthly receipts with the Bank Statement deposits.				
<u>MONTH</u>				
July			\$ -	
August			\$ -	
September			\$ -	
Total	\$ -	\$ -	\$ -	

RECEIPTS VERIFICATION – CONTINUED

2. Compare the financial secretary's total monthly receipts with the monthly treasurer's reports.
 - a. Calculate the month and audit period to-date totals to identify total receipts per the financial secretary and total receipts per the treasurer's reports.
 - b. Identify differences as audit exceptions.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

	<u>Verify Gross Receipts</u>			
	Total Receipts per the Financial Secretary	Total Receipts per the Treasurer's Report	Difference	Comments
2. Compare the Financial Secretary's total monthly receipts with the monthly Treasurer's Reports.				
<u>MONTH</u>				
July	\$ -		\$ -	
August	\$ -		\$ -	
September	\$ -		\$ -	
Total	\$ -	\$ -	\$ -	

RECEIPTS VERIFICATION – CONTINUED

3. Compare the treasurer's total monthly receipts with the bank statement deposits
 - a. Calculate the month and audit period to-date totals to identify total receipts per the treasurer and total receipts per the bank statements.
 - b. Identify differences as audit exceptions.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Verify Gross Receipts				
	Total Receipts per the Treasurer's Report	Total Receipts per the bank statements	Difference	Comments
3. Compare the Treasurer's total monthly receipts with the Bank Statement deposits.				
<u>MONTH</u>				
July	\$ -	\$ -	\$ -	
August	\$ -	\$ -	\$ -	
September	\$ -	\$ -	\$ -	
Total	\$ -	\$ -	\$ -	

RECEIPTS VERIFICATION – CONTINUED

Review of Receipt Controls

Obtain a copy of the chapter's policies and procedures to determine and evaluate the following internal controls:

- a. Procedures for handling returned (non-sufficient funds (NSF)) checks from chapter members
- b. Procedures for handling returned (NSF) checks from the public
- c. Procedures for handling receipts
- d. Review the bank statements to identify NSF checks and validate that the NSF checks were handled consistent with the policy
- e. Procedures for handling receipts from merchant accounts or secure online payment systems such as PayPal

If there are no documented internal control procedures regarding receipts, this is a finding that should be reported, along with a corresponding recommendation.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Enter quarter Number:



			COMMENTS
	Yes	No	
a. Are there procedures for handling returned (non-sufficient funds (NSF)) checks from chapter members?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Are there procedures for handling returned (NSF) checks from the public?	<input type="checkbox"/>	<input type="checkbox"/>	
c. Are there procedures for handling receipts?	<input type="checkbox"/>	<input type="checkbox"/>	
d. If applicable, were the NSF checks handled consistently with the policy?	<input type="checkbox"/>	<input type="checkbox"/>	
e. Are there procedures for handling receipts from merchant accounts or secure online payment systems such as PayPal?	<input type="checkbox"/>	<input type="checkbox"/>	

RECEIPTS VERIFICATION – CONTINUED

DETAILED AUDIT STEPS – [Download the Audit Work Papers from the National website](#)

Testing Deposits

Select a sample of 50% of the deposit slips per quarter and perform the following steps to validate compliance with procedures and internal controls. **Note:** a deposit typically contains a collection of individual receipts.

- a. Compare the date the funds were received as per the financial secretary's receipt book with the date on the bank's validated deposit slip to ensure the deposit was made within two business days.
- b. Validate that the **source** of the receipts included in the deposit was recorded accurately in the treasurer's monthly report by comparing the account classification.
- c. Validate that the **amount** of the receipts included in the deposit was recorded accurately in the treasurer's monthly report by comparing the amount.
- d. Validate that an individual numbered receipt was issued for all funds listed on the deposit slip.
- e. Verify that the individual items on each deposit slip have the same amount, description and date as shown on the related receipt in the financial secretary's receipt book or log.
- f. Verify that if the deposit contained cash, the president's initials were on the deposit slip.
- g. Review the bank statements to ensure there are no unexplained or unusual deposits.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Bank Deposit Slip		Financial Secretary's Receipt Book			TESTS											
Description	Date on Deposit Slip	Description	Date on Receipt	Number of Days to make deposit	Source of receipt properly reflected on Treasurer's Report?		Amount of receipt properly reflected on Treasurer's Report?		Individual numbered receipt issued for all funds listed on the deposit slip?		Details on deposit slip match the details in Financial Secretary's receipt book?		If the deposit contained cash were the President's initials on the deposit slip?			Comments
					Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	
1				0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2				0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3				0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

DISBURSEMENTS VERIFICATION

The disbursements (expenditures) represent the check and non-check transactions which have occurred during the audit period.

Objectives of the Review

- Ensure that all disbursements are recorded in a timely manner
- Disbursements are properly supported and approved
- Disbursements are recorded accurately

Records Needed to Audit the Disbursements

- Bank statements
- Cancelled checks or images
- Chapter financial reports
- Checkbook and stubs
- Disbursement vouchers and supporting documentation for the audit period
- Disbursements register/log
- Finance committee minutes/reports
- Chapter meeting minutes

DETAILED AUDIT STEPS - [Download the Audit Work Papers from the National website](#)

General Disbursement Questions

1. Obtain the Cash Disbursements Register for the audit period.
 - a. Examine the Check Register and observe that all check numbers are accounted for.
 - b. Reconcile the checkbook stub amounts with the check register to ensure that all checks issued are recorded.
 - c. Obtain an explanation for checks issued out of sequence.
 - d. Verify unused check stock.
 - 1) Examine the unused checks for breaks in sequence.
 - 2) Examine the unused checks for signed blank checks.
 - 3) Confirm that the unused checks match the inventory of unused checks.
 - e. Examine checks recorded as void.
 - 1) Verify that all voided checks are stored securely or attached to the related documentation if applicable.
 - 2) Verify that voided checks are listed in the check register.

DISBURSEMENTS VERIFICATION – CONTINUED

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

	Quarter 1		
	Yes	No	COMMENTS
Are all check numbers accounted for in the Check Register?	<input type="checkbox"/>	<input type="checkbox"/>	
Do the checkbook stub amounts agree with the Check Register amounts?	<input type="checkbox"/>	<input type="checkbox"/>	
Were any checks issued out of sequence? Ex. Check #125 was issued before check #100?	<input type="checkbox"/>	<input type="checkbox"/>	
Were unused checks examined for breaks in sequence?	<input type="checkbox"/>	<input type="checkbox"/>	
Do any unused checks have signatures on them?	<input type="checkbox"/>	<input type="checkbox"/>	
Do unused checks agree with the inventory of unused checks?	<input type="checkbox"/>	<input type="checkbox"/>	
Are all voided checks stored securely?	<input type="checkbox"/>	<input type="checkbox"/>	
Were voided checks listed in the check register?	<input type="checkbox"/>	<input type="checkbox"/>	

DISBURSEMENTS VERIFICATION – CONTINUED

Verify Disbursements

1. Select 25% of the total checks issued and perform the following tests:
 - a. Examine supporting documentation for the disbursement – vendor invoice or original receipts. The supporting document should agree with the check amount.
 - b. Reconcile the completed voucher for the disbursement and document the budget line item amount.
 - c. Verify that the disbursement was properly approved. Obtain the completed voucher form for the disbursement. The disbursement should have the approval of the president, treasurer and committee chair.
 - d. Compare the expenditure date, amount, description, budget line item and payee to the disbursements register.
 - e. Compare the voucher to the check copies or images to verify recording and accuracy.
 - f. Verify that there were two authorized check signers for each check issued.
 - g. Verify that the check payee is not the check signer. (i.e. there is **Separation of Duties**.)
 - h. Calculate the total expenses recorded in the Disbursements Register for each month and compare it to the total expenditures recorded on the chapter's monthly financial reports.
 - i. Compare the total calculated expenses with the Annual Finance Report cash disbursements and explain any differences.

NOTE: No more than 15 disbursements can be entered in the Red Zone per quarter. The first 15 disbursements tested will be entered into the relevant section of the Quarterly 1AR-1 form in the Red Zone.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

	Yes	No	N/A	COMMENTS	Check #	Check #	Check #
a. Does the supporting document agree with the check amount?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
b. Does a budget line item exists for the disbursement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
c. Was the disbursement was properly approved?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
d. Do the expenditure date, amount, description, budget line item and payee to the disbursements register?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
e. Does the voucher agree with the check copies or images?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
f. Were there two authorized check signers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
g. Is the check payee the check signer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
h. Do the total expenses recorded in the Disbursements Register for each month agree with the total expenditures recorded on the chapter's monthly Financial Reports?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
i. Do the total expenses agree with the Annual Finance Report cash disbursements (Q4 only)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

DISBURSEMENTS VERIFICATION – CONTINUED

Verify Other Disbursements

Test 10% of non-check disbursements.

Non-check disbursements consist of wire transfers, EFTs, and cashier's checks.

Note: PayPal transactions will be tested separately.

- a. Verify that documentation exists to support 100% of non-check disbursements in the sample selected (10%)
- b. Ensure that proper approvals exist to support the issuance of the non-check disbursements.
- c. Verify authorization exists for non-check disbursements.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Enter quarter Number:			
	Yes	No	COMMENTS
Does documentation exist to support 100% of non-check disbursements in the 10% sample?	<input type="checkbox"/>	<input type="checkbox"/>	
Do proper approvals exist to support the issuance of the non-check disbursements?	<input type="checkbox"/>	<input type="checkbox"/>	
Do proper authorization exist to support the issuance of the non-check disbursements?	<input type="checkbox"/>	<input type="checkbox"/>	

DISBURSEMENTS VERIFICATION – CONTINUED

Review Disbursements Controls

1. Obtain a copy of the chapter's internal control procedures to determine and evaluate the following controls:

- a. Procedures for handling cash advances
- b. Procedures for handling honorariums
- c. Procedures for disbursements made under extenuating or emergency circumstances

NOTE: If there are no documented internal control procedures regarding disbursements, this is a finding that should be reported along with a corresponding recommendation.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Enter quarter Number:			COMMENTS
	Yes	No	
Are there procedures for handling cash advances?	<input type="checkbox"/>	<input type="checkbox"/>	
Are there procedures for handling honorariums?	<input type="checkbox"/>	<input type="checkbox"/>	
Are there procedures for disbursements made under extenuating or emergency circumstances?	<input type="checkbox"/>	<input type="checkbox"/>	

PAYPAL BUSINESS ACCOUNTS

A PayPal Business account allows a business to receive funds through credit, debit and PayPal accounts and allows funds to be sent or withdrawn from the PayPal Business account to **any account**. The PayPal Business account can be linked to a regular checking or savings account, so funds can be electronically transferred at no charge within three to four business days. The funds can be withdrawn by check; which PayPal will process for a small fee.

Approval and Accountability

The use of PayPal must be approved by chapter vote and detailed guidelines for the use and management of the PayPal Business account must be included in the chapter policies and procedures. **The use of PayPal is not a mandate and is optional for all chapters. Chapters should thoroughly evaluate the advantages and disadvantages of using PayPal and ensure adequate controls are in place to alleviate misappropriations, embezzlement and theft.**

All existing procedures and responsibilities currently in effect from Grand Chapter, the National Finance Committee, the National Internal Audit Committee, the National Scholarship and Standards Committee and local Chapter Policies and Procedures apply to the use of PayPal as a payment tool for the chapter. A procedure for transferring ownership of the PayPal Business account due to changes in chapter leadership (transition of officers) should be created and added to the Chapter Policies and Procedures. Passwords associated with the PayPal Business account must be transferred and immediately changed during the transition.

PayPal Fees

PayPal currently assesses a per transaction fee. The fees can be passed on to individuals who use PayPal or any merchant account. However, if PayPal is used for the collection of dues, the fee cannot be passed on to the soror.

Account Access

The PayPal account must be set up in the name of the chapter with the chapter president being the "Owner". User accounts will be set up for the treasurer and the financial secretary.

PayPal BUSINESS ACCOUNTS - CONTINUED

DETAILED AUDIT STEPS - [Download the Audit Work Papers from the National website.](#)

1. Select a sample of 10% of the email sent to the primary address.
 - a. Review the chapter's policies and procedures for detailed guidelines for the use and management of the PayPal account.
 - b. Verify that fees charged by PayPal have not been passed on to sorors who used the PayPal account to pay dues.
 - c. Verify that the chapter president is the "Owner" and that the treasurer and financial secretary are listed as "users".
2. Verify that the funds were reflected on the treasurer's report.

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

	Do the chapter's policies and procedures address PayPal?		Have fees charged by PayPal been passed on to individuals paying dues?		Is the chapter President listed as "owner" and the Treasurer and Financial Secretary listed as "users"?		Comments
Quarter	Yes	No	Yes	No	Yes	No	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Are the funds reflected correctly on the Treasurer's report?		Comments
Email Date	Yes	No	
	<input type="checkbox"/>	<input type="checkbox"/>	
	<input type="checkbox"/>	<input type="checkbox"/>	

BUDGET

Chapters are required to establish a budget to monitor expenditures and streamline the disbursement process. The internal audit review should include procedures to validate that the chapter adhered to the budget.

Objectives of the Review

- Ensure the chapter has an approved budget
- Ensure the chapter adheres to the budget during the year
- Ensure the budget revisions are properly approved and documented

Records Needed to Perform the Audit

- Chapter financial reports with budget vs. actual data
- Finance committee minutes/reports
- Chapter minutes should document original budget approved and reflect any approved amendments
- Budgets and revisions

DETAILED AUDIT STEPS - [Download the Audit Work Papers from the National website.](#)

Examine Approved Budget


1. Verify that the chapter has an approved budget
 - a. Obtain a copy of the chapter's budget and reconcile the budget with what was documented in the chapter's meeting minutes.
 - b. Compare the chapter's budget line item amounts to the monthly chapter financial reports to ensure the budget has not been exceeded.
 - c. Ensure the current quarter's beginning expenditures (disbursements) balance matches the prior month's ending balance for each line item.
 - d. Obtain the chapter financial reports or other documents in order to monitor the budget versus actual expenditures.

Examine Budget Revisions, (if applicable)

2. Obtain documentation to support the approval of budget revisions.
 - a. Reconcile the revision to the treasurer's or finance committee report.
 - b. Verify that the revised budget was approved in the chapter meeting minutes.
 - c. Verify that the revised budget was approved prior to approving the expenditures for the month.
 - d. Verify the revised budget's math accuracy.
 - e. Document budget variances that were not approved and obtain the reason for not approving the budget variance from the fiscal officers.

BUDGET – CONTINUED

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

Enter quarter Number:			
	Yes	No	COMMENTS
1. Does the chapter have an approved budget?	<input type="checkbox"/>	<input type="checkbox"/>	
a. Verified that the budget amount agrees with what was documented in the chapter's meeting minutes?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Compared the chapter's budget line item amounts to the monthly chapter financial reports to ensure the budget has not been exceeded?	<input type="checkbox"/>	<input type="checkbox"/>	
c. Ensured the current quarter's beginning expenditures (disbursements) balance matches the prior month's ending balance for each line item?	<input type="checkbox"/>	<input type="checkbox"/>	
d. Obtained the chapter financial reports or other documents in order to monitor the budget versus actual expenditures?	<input type="checkbox"/>	<input type="checkbox"/>	

DUES VERIFICATION

The objective of **dues** verification testing is to validate that national **dues** are submitted to National Headquarters (NH) within 30 days of receipt, credited to the correct member, and were recorded in the correct fiscal period.

Dues consist of both local and national **dues**. Consult the **Dues** and Fees section of the National Fiscal Officers Manual for additional details.

Records Needed to Perform the Dues Verification Internal Audit

- Receipts register/log record of **dues** collected during the audit period.
 - Copies of transmittals submitted during the audit period.
 - Evidence that transmittals were closed (financial roster from the Red Zone for the fiscal year in question)
1. Obtain a listing of 100% of all member **dues** payments received during the audit period.
 - a. Verify that members paid the correct amount based upon the membership code/type prior to submission of **dues** to National Headquarters.
 - b. Verify that national **dues** and fees were transmitted within 30 days of the date the funds were deposited. **Note:** In the instance where the incorrect amount of **dues** was submitted by a member, the 30 days begins after the full amount owed has been received by the financial secretary and deposited by the treasurer.
 - c. Verify the soror's name, **dues** fiscal year, fees, membership code/type and payee amount on the transmittal payment to National Headquarters agrees with the receipt book/financial secretary's **dues** log.
 - d. Verify that funds received via personal check were **not** submitted to National Headquarters prior to the funds having cleared.
 - e. Verify that funds received were **not** submitted to National Headquarters prior to receiving the local **dues**.
 - f. Examine documentation to support the transmittal payment to National Headquarters (copy of the certified check payable to the Grand Chapter, wire transfer or deposit slip to the Grand Chapter's checking account).
 - g. If the general disbursement testing is not performed at the same time as the testing of **dues**; reconcile the **dues** disbursements to the bank statements for date, amount and payee.

DUES VERIFICATION – CONTINUED

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

	Soror's Name	Correct amount paid based upon the membership code/type prior to submission of dues to NH?		Date National Dues and Fees deposited by chapter	Date National Dues and Fees sent to NH	Days to Remit	Do details on the transmittal payment to NH match the Financial Secretary's records?		Were dues submitted to NH prior to the funds having cleared?		Were dues submitted to NH prior to receiving the local dues?		Comments
		Yes	No				Yes	No	Yes	No	Yes	No	
1		<input type="checkbox"/>	<input type="checkbox"/>			0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2		<input type="checkbox"/>	<input type="checkbox"/>			0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3		<input type="checkbox"/>	<input type="checkbox"/>			0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4		<input type="checkbox"/>	<input type="checkbox"/>			0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

2. For **dues** transmittals that are pending as of the audit date:
 - a. Examine documentation to support the treasurer's follow-up with National Headquarters where transmittals are more than 30 days old.
 - b. Verify that the payment was submitted where transmittals are less than 30 days old. (See step 1d.)

The following illustration is an excerpt from the Audit Work Papers which can be found on the National website.

PENDING DUES					Comments
Soror's Name	If Dues have been pending for <u>more</u> than 30 days, has Treasurer followed up with HQ?		If Dues have been pending for <u>less</u> than 30 days, verify that the payment was submitted		
	Yes	No	Yes	No	
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

DUES VERIFICATION – CONTINUED

3. **Dues** exceptions should be noted and reported in the Red Zone. The following list contains examples of **dues** exceptions.
- a. **Dues** that were not sent to National Headquarters within 30 days.
 - b. **Dues** that were sent prior to the soror's check having cleared.
 - c. **Dues** that were sent without local **dues** having been received.
 - d. **Dues** that are not properly reflected in the chapter's receipt books and corresponding reports.
 - e. **Dues** that were submitted in the incorrect amount.
 - f. **Dues** whose transmittal name, **dues** fiscal year, fees, membership code/type and payee amount **DO NOT** agree with the receipt copy or financial secretary's **dues** log.

NOTE: The words "Review 100% of total **dues** collected" do not mean that you are to ENTER 100% of all **dues** collected. Only enter the **dues** exceptions as discussed above.

OVERALL AUDIT FINDINGS

OVERALL AUDIT FINDINGS

The following options are available as an Overall Audit Finding:

- “A”** - After review by the Chapter Internal Audit Committee or their designee, it has been determined that the chapter **has** satisfactory financial internal controls and the review supports the existence and utilization of these controls.
- “B”** - After review by the Chapter Internal Audit Committee or their designee, it has been determined that the chapter has satisfactory financial internal controls but the review **does not** support the utilization of these controls.
- “C”** - After review by the Chapter Internal Audit Committee or their designee, it has been determined that the chapter **does not** have satisfactory financial internal controls and the review supports the lack of their existence.

If either “B” or “C” is selected, then the Internal Audit Committee must notify the chapter of any weaknesses in the financial structure and make recommendations for improvements.

Examples of factors to consider when selecting the **Overall Audit Finding**:

- Missing or incorrect bank reconciliations
- Improper use of Merchant Accounts or Debit Cards
- Irregularities with online banking activity
- Improper storage/handling of unused checks
- Unresolved differences in fiscal officer reports regarding receipts
- Unsupported disbursements
- Large percentages of dues exceptions (i.e. greater than 25%)
- Missing funds
- Unorthodox banking situations
- Undocumented budget variance approvals in the minutes

SIGNATURE PAGE

The **Signature Page** is used to document (via manual signatures), which members of the Internal Audit Committee participated in the audit.

Note: This is **NOT** referring to the signatures that the chapter president and Chair, Internal Audit provide in the **Audit Work Papers** or to the signatures they provide in the Red Zone.

An example of the **Signature Page** is provided on pages 46-47. The template is included in the **Audit Work Papers** which can be found on the National website.

The Internal Audit Committee should consist of an elected chair, plus two to four members, who are not current fiscal officers. Each member participating in the audit should sign the **Signature Page** at the conclusion of each audit. The Chair, Internal Audit must upload the **Signature Page** in the Red Zone when completing the Annual IAR-1 form.

If the chapter's Internal Audit Committee did not complete the audit, the **Assisting Soror** will sign where indicated and the chapter president will submit the completed IAR-1 form in the Red Zone as part of the annual compliance process by August 31.

If the chapter does not have a Chair, Internal Audit, then the **current** chapter president will obtain the **Audit Work Papers** from the **Assisting Soror** and will document the audit results in the Red Zone.

Once finished, the chapter president will provide her electronic signature where indicated and then email the chapter's National Internal Audit Committee liaison to review the completed audit. Once the review is complete, the Chair, National Internal Audit Committee will sign as Chair, Internal Audit on behalf of the chapter.

Note: An audit is not considered complete until two (2) signatures are provided. In addition, if the Annual IAR-1 is started before the two signatures have been provided in the Red Zone; the entire quarterly IAR-1 will be deleted by the system and will **NOT** be rolled up into the Annual IAR-1 form.

SIGNATURE PAGE – Internal Audit Committee

List Members of Internal Audit Committee:

(Signature verifies that member participated in conducting this audit)

<u>NAME</u> (printed)	<u>Position</u>	<u>Period</u>	<u>SIGNATURE</u>
	Chair	Q1	
	Member	Q1	
	Member	Q1	
	Member	Q1	
	Member	Q1	
	Member	Q1	

<u>NAME</u> (printed)	<u>Position</u>	<u>Period</u>	<u>SIGNATURE</u>
	Chair	Q2	
	Member	Q2	
	Member	Q2	
	Member	Q2	
	Member	Q2	
	Member	Q2	

<u>NAME</u> (printed)	<u>Position</u>	<u>Period</u>	<u>SIGNATURE</u>
	Chair	Q3	
	Chair	Q3	
	Member	Q3	
	Member	Q3	
	Member	Q3	
	Member	Q3	
	Member	Q3	

<u>NAME</u> (printed)	<u>Position</u>	<u>Period</u>	<u>SIGNATURE</u>
	Chair	Q4	
	Member	Q4	
	Member	Q4	
	Member	Q4	
	Member	Q4	

SIGNATURE PAGE – Assisting Soror

If an ASSISTING SOROR conducted the audit, list her name, chapter, and position.

Her signature verifies that she conducted the audit.

<u>NAME/TITLE (printed)</u> <u>Chapter</u>	<u>Position</u>	<u>Period</u>	<u>SIGNATURE</u>
		Q1	
		Q2	
		Q3	
		Q4	
		<u>Annual IAR-1</u>	

This form must be uploaded electronically in the Red Zone by August 31 as part of the Annual IAR-1 process.

NOTE: *It is not to be uploaded each quarter.*

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE

Once the audit has been completed and fully documented in the **Audit Work Papers**, the **current** Chair, Internal Audit will document the audit results in the Red Zone.

If the chapter does not have a Chair, Internal Audit, then the **current** chapter president will obtain the **Audit Work Papers** from the **Assisting Soror** and will document the audit results in the Red Zone.

1. Use your username and password to enter the Red Zone.

NOTE: Only the current president and current Chair, Internal Audit can access the audit portion of the Red Zone.

the red zone

Welcome to the red zone. Delta Sigma Theta Privacy Statement Unauthorized acquisition, disclosure, or distribution of access information, passwords, or electronically transmitted confidential membership or financial information and improper use of the organization's membership data and information through misuse of proprietary computer software is subject to sanctions and fines per the Code of Conduct, Section 4.D.

Sign In

[Create an Account](#)

Username:

Password:

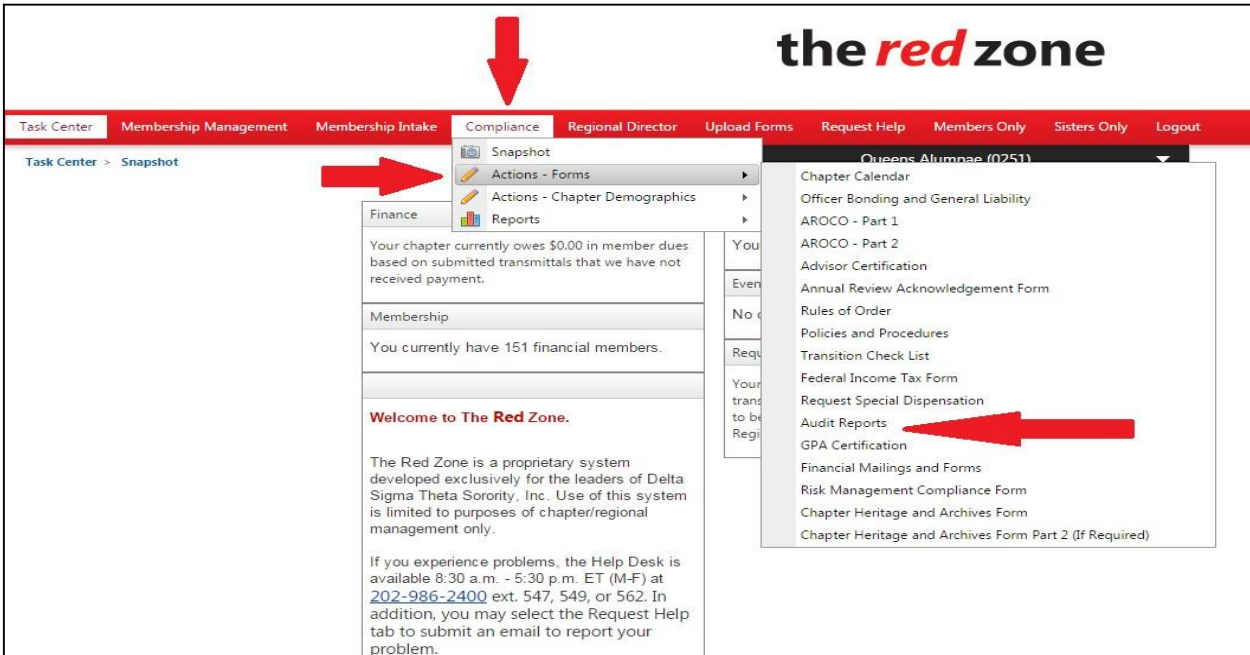
☐ Remember me

[Trouble logging on?](#) | [Forgot My Password](#)

2. Navigate to the Compliance Tab.

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

3. Click on Action Forms then click on Audit Reports.



ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

4. Re-enter your username and password. As previously explained, only the current chapter president and current Chair, Internal Audit can access the audit portion of the Red Zone.

Username:

Password:

LOGIN

To: Chapter President or Internal Audit Chair

If you receive an error while uploading your Annual IAR-1 Form documents by the deadline of August 31st, 2012, please email a copy of the error page to finance@deltasigmatheta.org. You will receive a response within five (5) work days.

Note: The Annual Audit Report - IAR-1 is now available for chapters to complete and submit. Chapter Presidents and Chapter Internal Audit Chairs can use their personal username and password to access the form in The Red Zone.

The Annual Financial Report is now available for chapters to complete and submit. Chapter Presidents and Chapter Treasurers can no longer use the username and password that was assigned to them. Use your personal username and password to access the form in The Red Zone.

5. Select Quarterly Forms from the menu on the left side of the screen.

Home

Annual Financial Forms

Quarterly Audit Reports

Annual IAR-1 Forms

Logout

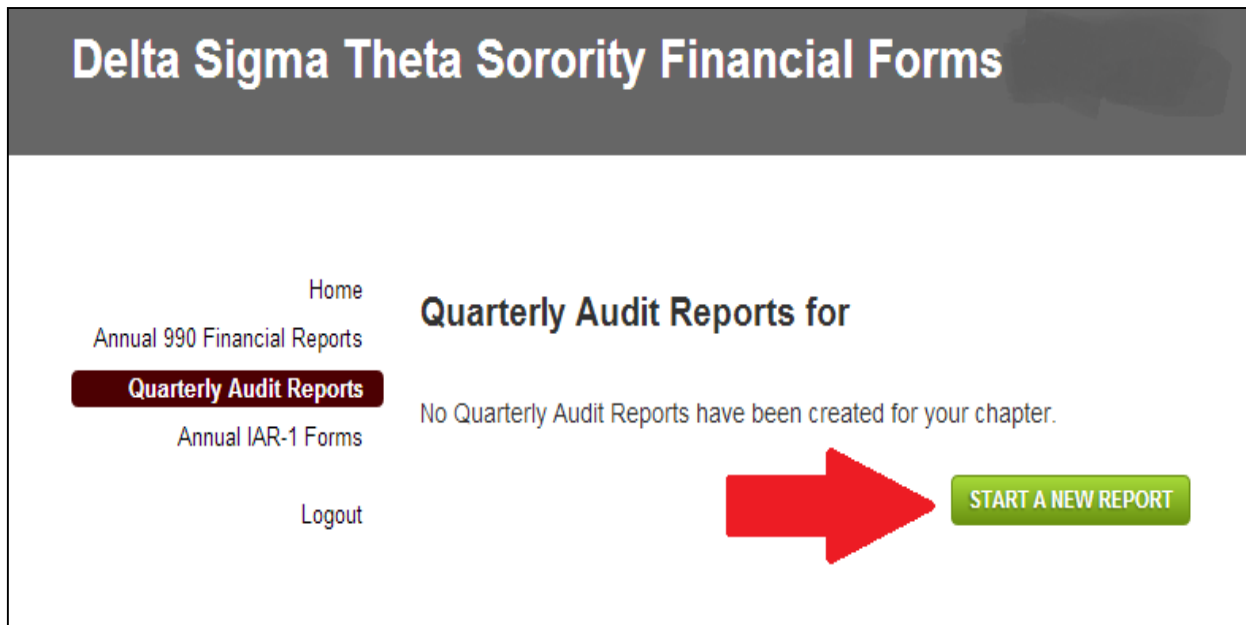
Welcome to the Delta Sigma Theta Sorority Financial Forms Portal.

Financial Report Calendar

Report	Reporting Period	Due Date
1st Quarter Audit Report	July 1st - September 30th	December 1st
2nd Quarter Audit Report	October 1st - December 31st	March 1st
3rd Quarter Audit Report	January 1st - March 31st	June 1st
4th Quarter Audit Report	April 1st - June 30th	August 1st
Annual Financial Form	July 1st - June 30th	August 31st
Annual IAR-1 Form	July 1st - June 30th	August 31st

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

6. Select Start a New Report from the menu on the right side of the screen.



ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

7. Ensure that the auto populated information is correct.

The screenshot shows a web application interface for entering quarterly audit results. A yellow arrow points to the 'Quarterly Audit Reports' link in the top navigation bar. A blue box on the left contains the instruction: 'Obtain these amounts from the Audit Work Papers which were completed prior to coming into the Red Zone.' Three red arrows point to the input fields for 'Number of Dues with Exceptions for Period', 'Number of Disbursements Reviewed for Period', and 'Number of Receipts Reviewed for Period'. The 'START REPORT' button is at the bottom right.

Home
Annual Financial Forms
Quarterly Audit Reports
Annual IAR-1 Forms
Logout

New Quarterly Audit Report for

Chapter Name:
Chapter Address:

Chapter Number:
Chapter Region:
Chapter IMIS ID:
Chapter President:
Chapter Audit Chair:
Financial Members:
Chapter Tax ID:
Quarter:
Year:
Number of Dues with Exceptions for Period:
Number of Disbursements Reviewed for Period:
Number of Receipts Reviewed for Period:

Obtain these amounts from the Audit Work Papers which were completed prior to coming into the Red Zone.

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

8. Review the instructions.

Note that it is recommended that a copy of the submission be printed for:

1. The chapter's records
2. The chapter's Advisor (if applicable)
3. The Assisting Soror (if applicable)

Q4 **Quarterly Audit Report**

Q4 **Quarterly Audit Report for**

Instructions
[General](#)
[Bank Accounts](#)
[Disbursements](#)
[Receipts](#)
[Check Signers and Bonded](#)
[Members](#)
[Member Dues](#)
[Overall Findings](#)
[Review and Submit](#)

[Home](#)
[Annual Financial Forms](#)

Quarterly Audit Reports

[Annual IAR-1 Forms](#)
[Logout](#)

Quarterly Audit Report Instructions

1. You may start your Quarterly IAR-1 Audit Form at any time, then save and submit your form when completed.
2. The chapter quarterly audit requirements are as follows:
 - a. All Chapters must fill out the online Quarterly IAR-1 Audit Form (this form).
 - b. Quarterly results must be submitted online within two months after the close of the quarter. For example, Quarter 1 (July 1 – September 30) must be submitted online by December 1.
 - c. Both the Chapter President and the Chapter Audit Committee Chair must review and submit the online Quarterly IAR-1 Audit Form.


CONTINUE

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

9. Enter the Expenses (Disbursements) and Gross Receipts from the Audit Work Papers.

The Chapter information will be pre-populated.

Q4 2015 Quarterly Audit Report

- Instructions
-  **General**
- Bank Accounts
- Disbursements
- Receipts
- Check Signers and Bonded Members
- Member Dues
- Overall Findings
- Review and Submit

- Home
- Annual Financial Forms
- Quarterly Audit Reports**
- Annual IAR-1 Forms
- Logout

Q4 2014 - 2015 Quarterly Audit Report for

General Information

Report for Audit/Fiscal Period:

Quarter:

Year:

Chapter Name:

Chapter Number:

Chapter IMIS ID:

Chapter Tax ID:

Chapter Type:

Chapter Region:

Chapter President:

Chapter Audit Chair:

Chapter Mailing Address:

Chapter Address Line 1:

Chapter Address Line 2:

Chapter City:

Chapter State:

Chapter ZIP:

Number of Financial Members:

What were the Chapter's Expenses for the quarter? \$

What were the Chapter's Gross Receipts for this quarter? \$

SAVE AND CONTINUE
CANCEL

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

10. All of the chapter's bank accounts listed in the Audit Work Papers will need to be entered.

Click "Add Account" to begin the process.

The screenshot displays a web application interface for the "Q4 2014 - 2015 Quarterly Audit Report for Bank Accounts". On the left, a vertical navigation menu lists various sections: "Q4 2015 Quarterly Audit Report" (highlighted in black), "Instructions", "General", "Bank Accounts", "Disbursements", "Receipts", "Check Signers and Bonded Members", "Member Dues", "Overall Findings", "Review and Submit", "Home", "Annual Financial Forms", "Quarterly Audit Reports" (highlighted in dark red), "Annual IAR-1 Forms", and "Logout". The main content area is titled "Q4 2014 - 2015 Quarterly Audit Report for Bank Accounts" and features a prominent green "ADD ACCOUNT" button. Below this button are two additional buttons: a green "SAVE AND CONTINUE" button and a dark red "CANCEL" button.

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

11. Enter the requested information for each account.

NOTE: The **checkbook balance** is the balance as per the treasurer's report as of the quarter end.

Q4 2015 Quarterly Audit Report

- Instructions
- General
- Bank Accounts**
- Disbursements
- Receipts
- Check Signers and Bonded Members
- Member Dues
- Overall Findings
- Review and Submit

Home

Annual Financial Forms

Quarterly Audit Reports

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Logout

Q4 2014 - 2015 Quarterly Audit Report for

Bank Accounts

Account Type:

Institution:

Account Number:

Checkbook Balance: \$

Statement Balance: \$

This account has been closed. ☐

ADD ACCOUNT

SAVE AND CONTINUE **CANCEL**

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

12. Enter the results of the disbursement testing by clicking “ADD DISBURSEMENT”

Note: The pre-populated amount shown was entered when the form was started. If a correction needs to be made in the future, go back to the beginning of the form and change the total amount there.

No more than 15 disbursements can be entered per quarter. However, the Chair, Internal Audit has discretion regarding how many disbursements are tested during the audit as long as a minimum of 25% are tested.

Q4 2015 Quarterly Audit Report

- Instructions
- General
- Bank Accounts
- Disbursements**
- Receipts
- Check Signers and Bonded Members
- Member Dues
- Overall Findings
- Review and Submit

- Home
- Annual Financial Forms
- Quarterly Audit Reports**
- Annual IAR-1 Forms
- Logout

Q4 2014 - 2015 Quarterly Audit Report for

Disbursements

Number of Disbursements

Reviewed for Period:





ADD DISBURSEMENT

SAVE AND CONTINUE **CANCEL**

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

13. Enter the information regarding the testing of disbursements from the Audit Work Papers which were completed in advance.

NOTE: You must enter information for the number of disbursements shown. In this example since two (2) disbursements were entered as having been tested, the system will not let you proceed until results for two (2) disbursements have been entered.

Q1 2014 Quarterly Audit Report		Q1 2013 - 2014 Quarterly Audit Report for '	
Instructions		Disbursements	
General			
Bank Accounts			
Disbursements		Number of Disbursements <input type="text" value="2"/>	
Receipts		Reviewed for Period:	
Check Signers and Bonded Members			
Member Dues		Check Number: <input type="text"/>	
Overall Findings		Date (MM/DD/YYYY): <input type="text"/>	
Review and Submit		Check Made Payable To: <input type="text"/>	
<hr/>		Voucher Exists: <input type="text"/> 	
Home		Dual Signatures: <input type="text"/> 	
Annual 990 Financial Reports		Separation: <input type="text"/> 	
Quarterly Audit Reports		Documentation: <input type="text"/> 	
Annual IAR-1 Forms		Remarks: <input type="text"/>	
Logout			

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

14. Enter the results of the receipts testing by clicking “ADD RECEIPT”

Note: The pre-populated amount was entered when the form was started. If a correction needs to be made in the future, go back to the beginning of the form and change the total amount there.

Q4 2015 Quarterly Audit Report

- Instructions
- General
- Bank Accounts
- Disbursements
- Receipts**
- Check Signers and Bonded Members
- Member Dues
- Overall Findings
- Review and Submit

Q4 2014 - 2015 Quarterly Audit Report for

Receipts

Number of Receipts:

Reviewed for Period:

ADD RECEIPT

SAVE AND CONTINUE **CANCEL**

Home

Annual Financial Forms

Quarterly Audit Reports

Annual IAR-1 Forms

Logout

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

15. Enter the information regarding the testing of receipts from the Audit Work Papers which were completed in advance.

NOTE: You must enter information for the number of receipts shown. In this example since two (2) receipts were entered as having been tested, the system will not let you proceed until results for two (2) receipts have been entered.

Q1 2014 Quarterly Audit Report	Q1 2013 - 2014 Quarterly Audit Report for	
Instructions General Bank Accounts Disbursements Receipts Check Signers and Bonded Members Member Dues Overall Findings Review and Submit	Receipts Number of Receipts <input type="text" value="2"/> Reviewed for Period: Date Listed on Financial Secretary's Log: (MM/DD/YYYY) <input type="text"/> Date of Bank Deposit (MM/DD/YYYY): <input type="text"/> Source of Deposit Properly Reflected on Treasurer's Report: <input type="text"/> <input type="button" value="v"/> Amount of Deposit Accurately Reflected on Treasurer's Report: <input type="text"/> <input type="button" value="v"/> Remarks: <input type="text"/> <input type="button" value="ADD RECEIPT"/> <input type="button" value="SAVE AND CONTINUE"/> <input type="button" value="CANCEL"/>	
Home Annual 990 Financial Reports Quarterly Audit Reports Annual IAR-1 Forms Logout		


ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE - CONTINUED

16. Enter the Check Signer and Bonded Member information

Note: The Check Signer information is **NOT** pre-populated. The names of the sorors who were check signers during the quarter must be entered manually.

Note: The BONDED MEMBER information **WILL BE** pre-populated based on the information in the Red Zone at the time the form is being completed; no adjustments are required by the chapter.

Q4 2015 Quarterly Audit Report

- Instructions
- General
- Bank Accounts
- Disbursements
- Receipts
-  Check Signers and Bonded Members
- Member Dues
- Overall Findings
- Review and Submit

- Home
- Annual Financial Forms
- Quarterly Audit Reports
- Annual IAR-1 Forms
- Logout

Q4 2014 - 2015 Quarterly Audit Report for

Check Signers

ADD CHECK SIGNER

Bonded Members

Name: _____

Position:

Name: _____

Position:

Name: _____

Position:

SAVE AND CONTINUE

CANCEL

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

17. Begin documenting the results of the dues testing by entering the number of DUES that had EXCEPTIONS.

The screenshot shows a web application interface for entering audit results. On the left is a navigation menu with a black header 'Q4 2015 Quarterly Audit Report'. The menu items are: Instructions, General, Bank Accounts, Disbursements, Receipts, Check Signers and Bonded Members, Member Dues (highlighted with a yellow arrow), Overall Findings, Review and Submit, Home, Annual Financial Forms, Quarterly Audit Reports (highlighted with a red background), Annual IAR-1 Forms, and Logout. The main content area has a title 'Q4 2014 - 2015 Quarterly Audit Report for Member Dues'. Below the title is a text input field labeled 'Number of Dues with Exceptions for Period:' containing the number '2'. There are three buttons: 'ADD MEMBER' (green), 'SAVE AND CONTINUE' (green), and 'CANCEL' (red).

Q4 2015 Quarterly Audit Report

- Instructions
- General
- Bank Accounts
- Disbursements
- Receipts
- Check Signers and Bonded Members
- Member Dues**
- Overall Findings
- Review and Submit

Home

Annual Financial Forms

Quarterly Audit Reports

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Logout

Q4 2014 - 2015 Quarterly Audit Report for Member Dues

Number of Dues with Exceptions for Period:


ADD MEMBER

SAVE AND CONTINUE **CANCEL**

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE - CONTINUED

18. Using the Audit Work Papers, enter the dues that had exceptions

Q4 2015 Quarterly Audit Report

[Instructions](#)
[General](#)
[Bank Accounts](#)
[Disbursements](#)
[Receipts](#)
[Check Signers and Bonded Members](#)
 **Member Dues**
[Overall Findings](#)
[Review and Submit](#)

[Home](#)
[Annual Financial Forms](#)
[Quarterly Audit Reports](#)
[Annual IAR-1 Forms](#)
[Logout](#)

Q4 2014 - 2015 Quarterly Audit Report for

Member Dues

Number of Dues with Exceptions for Period:

Soror's Name:

Matches Financial Secretary's Receipt Log:

Date National Dues Received (MM/DD/YYYY):

Date National Dues Sent (MM/DD/YYYY):

Comments:

ADD MEMBER

ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE – CONTINUED

19. Enter the overall findings information.

<div style="background-color: black; color: white; text-align: center; padding: 2px; margin-bottom: 5px;">Q4 2015 Quarterly Audit Report</div> <div style="text-align: center;"> Instructions General Bank Accounts Disbursements Receipts Check Signers and Bonded Members Member Dues ➔ Overall Findings Review and Submit </div> <hr style="border: 0.5px solid black; margin: 5px 0;"/> <div style="text-align: center;"> Home Annual Financial Forms <div style="background-color: black; color: white; text-align: center; padding: 2px; margin-bottom: 5px;">Quarterly Audit Reports</div> Annual IAR-1 Forms Logout </div>	<h3 style="margin-top: 0;">Q4 2014 - 2015 Quarterly Audit Report for</h3> <div style="margin-top: 10px;"> <h4>General Information</h4> </div> <div style="margin-top: 10px;"> <h4>Overall Findings</h4> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="radio"/> After review by the Chapter Internal Audit Committee or their designee, it has been determined that the chapter has satisfactory financial internal controls and the review supports the existence and utilization of these controls. </div> <div style="width: 30%;"> <input type="radio"/> After review by the Chapter Internal Audit Committee or their designee, it has been determined that the chapter has satisfactory financial internal controls but the review does not support the utilization of these controls. </div> <div style="width: 30%;"> <input type="radio"/> After review by the Chapter Internal Audit Committee or their designee, it has been determined that the chapter does not have satisfactory financial internal controls and the review supports the lack of their existence </div> </div> <div style="text-align: right; margin-top: 10px;"> <div style="display: inline-block; background-color: #6aa84f; color: white; padding: 5px 15px; border-radius: 3px; margin-right: 10px;">SAVE AND CONTINUE</div> <div style="display: inline-block; background-color: #c0392b; color: white; padding: 5px 15px; border-radius: 3px;">CANCEL</div> </div> </div>
---	---


ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE - CONTINUED

20. Electronically sign the audit form

Generally, the Chair, Internal Audit signs the form after entering the results of the audit. She then lets the chapter president know the form is ready for her review and signature. If an **Assisting Soror** completed the audit, the chapter president will provide her electronic signature and then email the chapter's National Internal Audit Committee liaison to review the completed audit. Once the review is complete, the Chair, National Internal Audit Committee will sign as Chair, Internal Audit on behalf of the chapter.

Signatures

Report has not been signed.



Review and Sign

Sign Form

The chapter hereby authorizes Delta Sigma Theta Sorority, Inc. to include this information in the Quarterly Audit Form. I declare under penalties of perjury that this has been examined by me and to the best of my knowledge is true, correct and that complete statement of all funds and accounts handled by this organization and made in good faith for the taxable year stated.

I agree with the preceding ☒ statement.


Name:

Office:

Home Phone:

Work Phone:

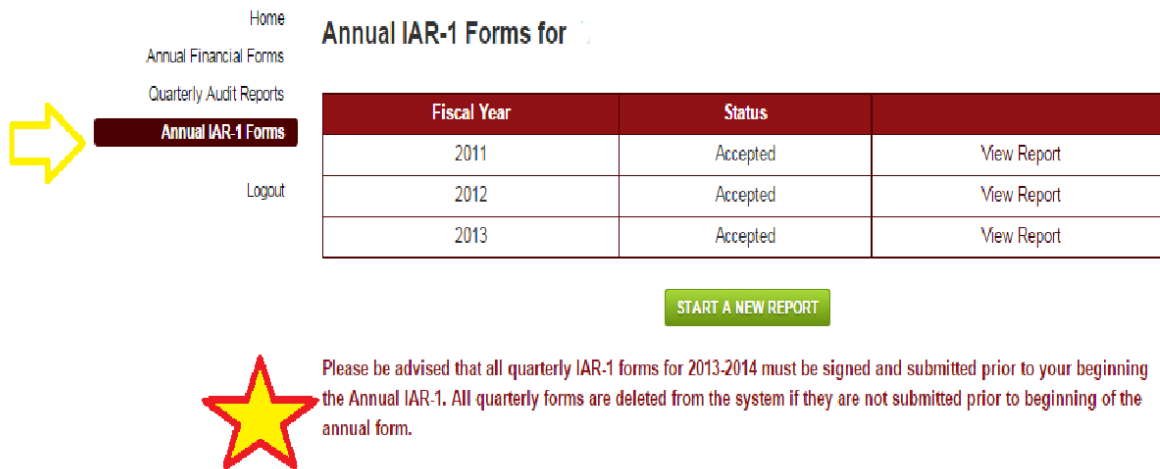
Email:



ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE

Once the **Annual Financial Report** has been entered in the Red Zone **AND** **ALL** four quarterly audits have been submitted **AND** have two (2) electronic signatures, the Annual IAR-1 form can be started.

1. Follow steps 1-4 above for ENTERING THE QUARTERLY INTERNAL AUDIT RESULTS INTO THE RED ZONE.
2. Select Annual IAR1-Forms from the menu on the left side of the screen.
3. Select Start a New Report.




Home
Annual Financial Forms
Quarterly Audit Reports
Annual IAR-1 Forms
Logout

Annual IAR-1 Forms for

Fiscal Year	Status	
2011	Accepted	View Report
2012	Accepted	View Report
2013	Accepted	View Report

[START A NEW REPORT](#)

 Please be advised that all quarterly IAR-1 forms for 2013-2014 must be signed and submitted prior to your beginning the Annual IAR-1. All quarterly forms are deleted from the system if they are not submitted prior to beginning of the annual form.

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

4. Fill in the fiscal year, date the audit form was completed and gross receipts for the sorority year.

WARNING: Gross receipts MUST agree with the Annual Financial Report.

The chapter information will be pre-populated. If the financial member information is incorrect, contact Mr. Terry Jones at National Headquarters (202) 986-2400.

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New Annual IAR-1 Form for

Please be advised that all quarterly IAR-1 forms for 2013-2014 must be signed and submitted prior to your beginning the Annual IAR-1. All quarterly forms are deleted from the system if they are not submitted prior to beginning of the annual form.

Chapter Name:

Chapter Type:

Chapter Address:


Chapter Number:


Chapter Region:


Chapter IMIS ID:


Chapter President:

Financial Members:

Fiscal Year: 

Chapter EIN: 

Date Internal Audit was Completed (MM/DD/YYYY): 

What were the Chapter's Gross Receipts for this audit/fiscal period? \$ 

[START REPORT](#)

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

5. Review the Instructions.

REMINDER - The **Annual Financial Report** must be submitted AND accepted before submitting the IAR-1 Annual Form.

2014 Annual IAR-1 Form

Instructions

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Cash/Check Receipts

Disbursements

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2014 Annual IAR-1 Form for

Annual IAR-1 Form Instructions

1. You may start your Annual IAR-1 Form at any time, but your Annual Financial Report must be submitted and accepted before you will be able to submit your form.
2. The chapter annual audit requirements are as follows:
 1. All Chapters must fill out the online Annual IAR-1 Form (this form).
 2. If your Gross Receipts for the year are between \$50,001 - \$100,000, then you will need to submit a scanned PDF of your **Review of Financial Statements** performed by a **Licensed CPA**. This copy must include the Licensed CPA's signature.
 3. If your Gross Receipts for the year are over \$100,000, then you will need to submit a scanned PDF of your **Audited Financial Statements** completed by a **Licensed CPA**. This copy must include the Licensed CPA's signature.
 4. If your chapter's internal audit is not completed by the Internal Audit Committee, you will need to upload a PDF of your signed IAR-1 Form
3. All chapters are required to upload a scanned Signature Page in PDF format with the signatures of the Chapter Internal Audit Committee.
4. Both the **Chapter President** and the **Chapter Audit Committee Chair** must review and submit the online IAR-1 Annual Audit Form.

CONTINUE

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

6. Review the general information which will be pre-populated.

2014 Annual IAR-1 Form

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2014 Annual IAR-1 Form for

General Information

Year:	<input type="text" value="2014"/>
Chapter Name:	<input type="text" value=""/>
Chapter Number:	<input type="text" value=""/>
Chapter IMIS ID:	<input type="text" value=""/>
Chapter EIN:	<input type="text" value=""/>
Chapter Type:	<input type="text" value=""/>
Chapter Region:	<input type="text" value=""/>
Chapter President:	<input type="text" value=""/>
Chapter Mailing Address:	
Chapter Address Line 1:	<input type="text" value=""/>
Chapter Address Line 2:	<input type="text" value=""/>
Chapter City:	<input type="text" value=""/>
Chapter State:	<input type="text" value=""/>
Chapter ZIP:	<input type="text" value=""/>
Number of Financial Members:	<input type="text" value=""/>
Date Internal Audit was Completed (MM/DD/YYYY):	<input type="text" value=""/>
What were the Chapter's Gross Receipts for this audit/fiscal period?	\$ <input type="text" value=""/>

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

7. Begin answering the questions about the chapter's internal control procedures.

NOTE: If an **Assisting Soror** is used, she will provide the answers to the internal control procedures questions. The chapter president will then enter the answers into the Red Zone.

<div style="text-align: center;"> General Information ➔ Reviews Financial Reports Bank Accounts Cash/Check Receipts Disbursements Member Dues Overall Audit Findings Upload Documents Review and Submit </div> <hr style="border: 0.5px solid black; margin: 10px 0;"/> <div style="text-align: center;"> Home Annual Financial Forms Quarterly Audit Reports <div style="background-color: #800000; color: white; padding: 5px; display: inline-block; margin: 5px 0;">Annual IAR-1 Forms</div> Logout </div>	<h3 style="text-align: center; margin-top: 0;">Internal Control Procedures</h3> <div style="margin-top: 20px;"> <p>Does the chapter have written fiscal policies and procedures? <input type="text"/></p> <p>If yes, were they reviewed by the Internal Audit Committee? <input type="text"/></p> <p>Did the Internal Audit Committee complete a detailed Internal Audit program? <input type="text"/></p> <p>Were the receipts validated for the audit/fiscal period? <input type="text"/></p> <p>If not, give reason: <input style="width: 150px;" type="text"/></p> <p>Were the expenditures validated for the audit/fiscal period? <input type="text"/></p> <p>If not, give reason: <input style="width: 150px;" type="text"/></p> </div>
---	--

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

8. Continue answering the questions about the chapter's internal control procedures.

Were the bank balances
validated for the
audit/fiscal period?

If not, give reason:

Was adherence to the
budget line items
validated?

If not, give reason:

Was adherence to
separation of fiduciary
responsibilities validated?
(i.e., are the Financial
Secretary and Treasurer
positions held by different
persons?)

If not, give reason:

Was the Internal Audit
report for last quarter
presented to the chapter
this quarter?

If yes, list the date.
(MM/DD/YYYY):

If no, state the reason.

Have all monthly chapter
reports been completed
within the review period?

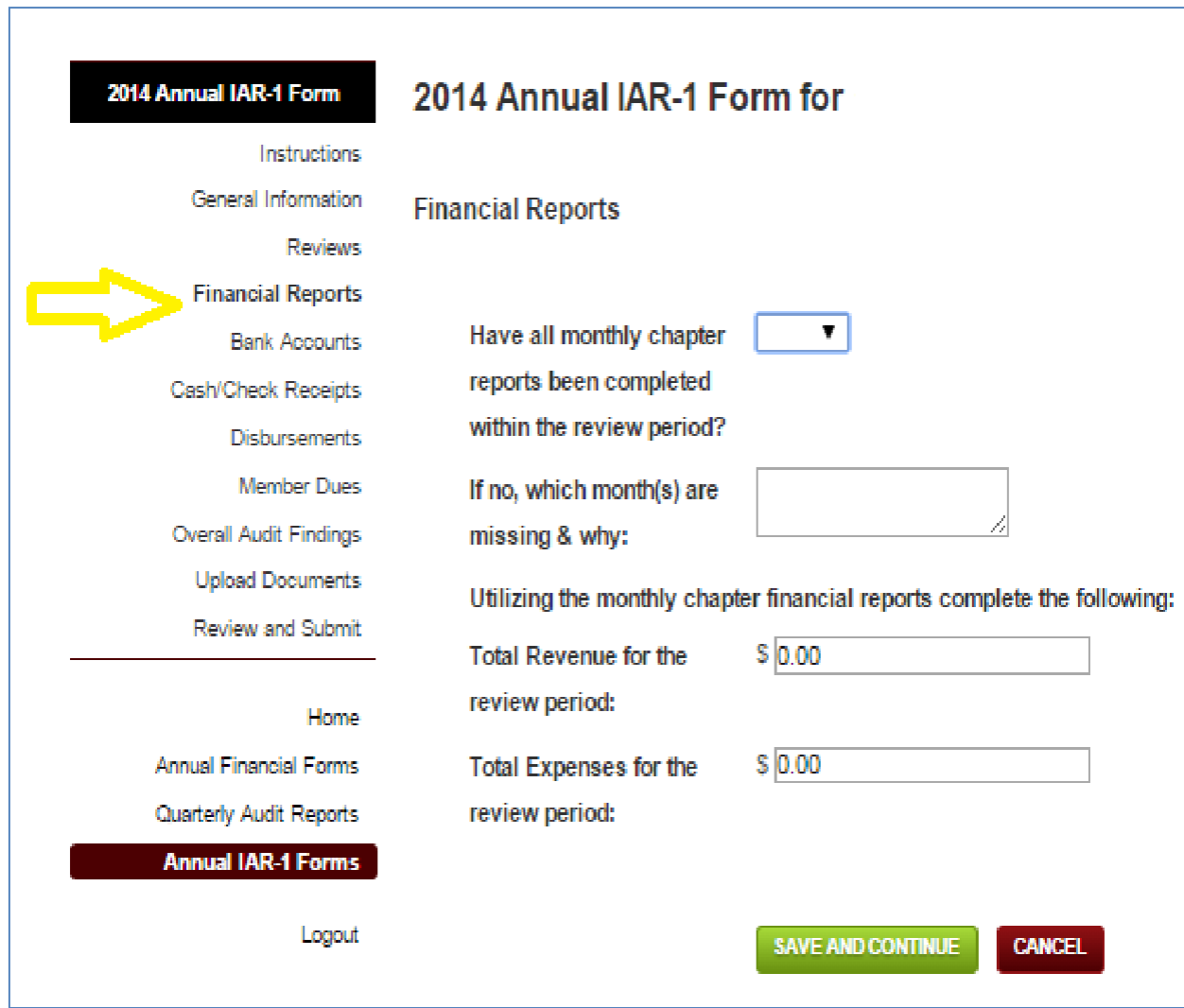
If no, which month(s) are
missing & why:

SAVE AND CONTINUE

CANCEL

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

9. Answer the questions about the chapter's financial reports.



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2014 Annual IAR-1 Form for
Financial Reports

Have all monthly chapter reports been completed within the review period?

If no, which month(s) are missing & why:

Utilizing the monthly chapter financial reports complete the following:

Total Revenue for the review period: \$

Total Expenses for the review period: \$

SAVE AND CONTINUE **CANCEL**

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

10. Begin answering the questions about the chapter's bank accounts.

2014 Annual IAR-1 Form

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2014 Annual IAR-1 Form for

Bank Accounts

Was your chapter's EIN used to open your chapter's bank account?

Has the bank reconciliation been completed?

How many signers are required on each check?

Describe how voided checks are maintained:

Are reasons provided for voided checks?

If no, why?

Briefly describe the storage location and procedures used for unused and used checks:

Have all unused checks been accounted for?

If no, why?

Are the checks issued in numerical sequence?

If no, why?

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

11. Continue answering the questions about the chapter's bank accounts.

Are there any missing check numbers?	<input type="text"/>
If yes, why?	<input type="text"/>
Does the chapter use a voucher system for disbursing checks?	<input type="text"/>
Did your chapter host, receive and disburse funds for any Statewide or Citywide events?	<input type="text"/>
If yes, were there excess funds?	<input type="text"/>
If yes, how were the funds disbursed?	<input type="text"/>
Does your chapter have a PayPal Account?	<input type="text"/>
If yes, who is the owner of the account?	<input type="text"/>
If yes, is the chapter incurring the assessment fee?	<input type="text"/>
Does your chapter have a debit card?	<input type="text"/>
If yes, is the card in the chapter's name?	<input type="text"/>

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

12. Finish answering the questions about the chapter's bank accounts.

NOTE: If necessary, add additional bank accounts, check signers and bonded members.

Accounts

Please provide the information requested below for each account.

ADD ACCOUNT

Check Signers

Provide the Name(s) and Positions of the authorized check signers.

ADD CHECK SIGNER

Bonded Members

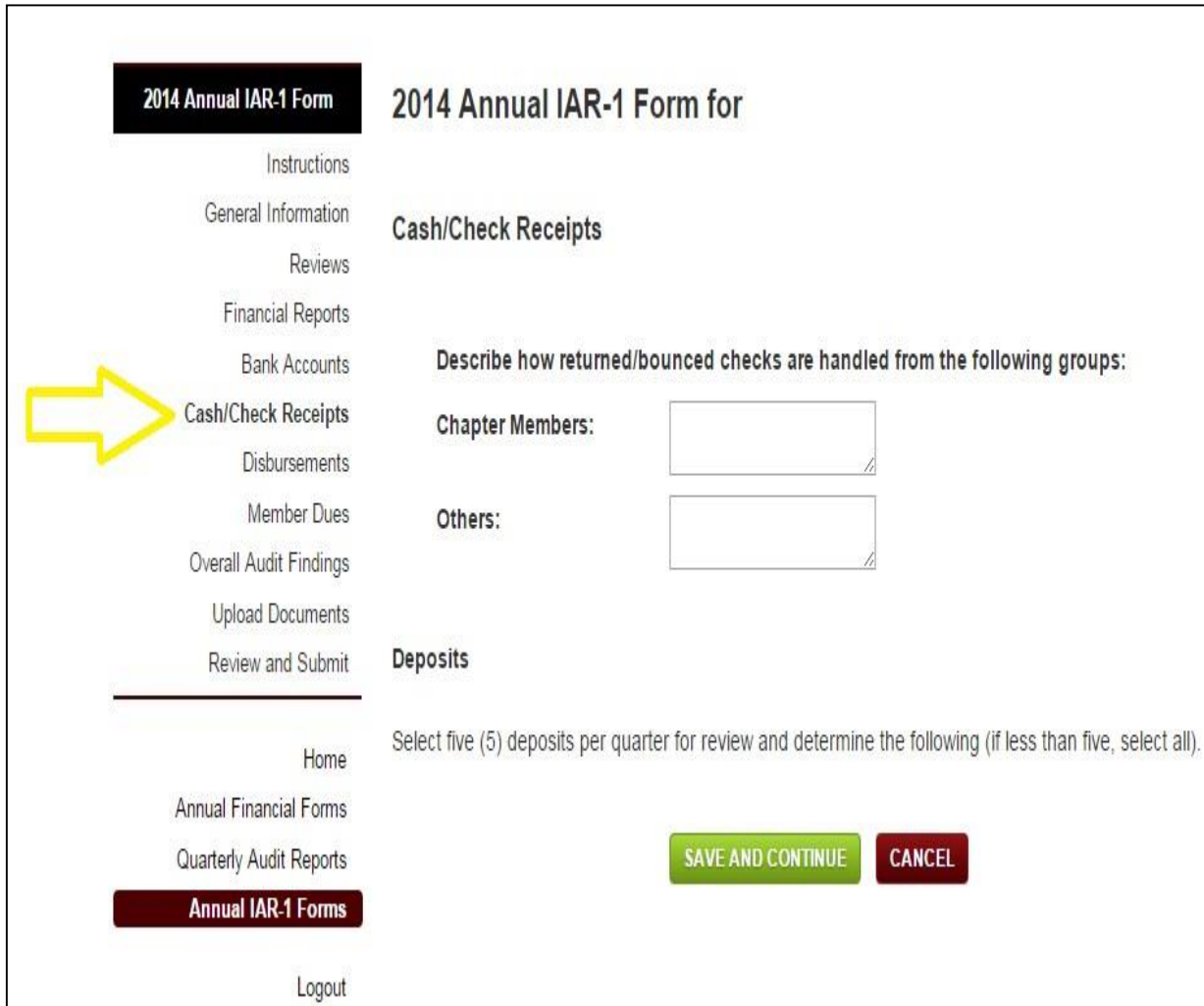
Provide the Name(s) and Positions of the Bonded Chapter members.

ADD BONDED MEMBER

SAVE AND CONTINUE **CANCEL**

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

13. Answer the questions about how returned/bounced checks are handled.



2014 Annual IAR-1 Form

2014 Annual IAR-1 Form for

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Cash/Check Receipts

Describe how returned/bounced checks are handled from the following groups:

Chapter Members:

Others:

Deposits

Select five (5) deposits per quarter for review and determine the following (if less than five, select all).

SAVE AND CONTINUE **CANCEL**

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

14. The results of the disbursements testing for all quarterly audits will be pre-populated.

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2014 Annual IAR-1 Form for

Disbursements

Select a statistical sample of 25% of total checks written, but no more than 50 checks.

Check Number:

Date (MM/DD/YYYY):

Check Made Payable To:

Voucher Exists:

Dual Signatures:

Separation:

Documentation:

Remarks:

Check Number:

Date (MM/DD/YYYY):

Check Made Payable To:

Voucher Exists:

Dual Signatures:

Separation:

Documentation:

Remarks:

SAVE AND CONTINUE **CANCEL**

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

15. Enter:

- a. The Overall Audit Finding for the sorority year.
- b. The names of all audit committee members during the sorority year.
- c. The name of the External Auditor (**Assisting Soror**) if applicable.

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2014 Annual IAR-1 Form for Member Dues

How many dues transmittals are more than 30 days old?

Review 100% of total dues collected and determine the following:

Soror's Name:

Matches Financial Secretary's Receipt Log:

Date National Dues Received (MM/DD/YYYY):

Date National Dues Sent (MM/DD/YYYY):

Comments:

Soror's Name:

Matches Financial Secretary's Receipt Log:

Date National Dues Received (MM/DD/YYYY):

Date National Dues Sent (MM/DD/YYYY):

Comments:

SAVE AND CONTINUE **CANCEL**

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

16. Upload:

- a. **Signature Page**
- b. **CPA's Report** including financial statements prepared by the **CPA**
- c. **Copy of CPA's license**

NOTE: All documents must be in **PDF format**

2014 Annual IAR-1 Form

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2014 Annual IAR-1 Form for

Upload Documents

Download Blank Signature Page.

Audit Form

Choose File No file chosen **UPLOAD FILE**

Review of Financial Statements/Audited Financial Statements

Choose File No file chosen **UPLOAD FILE**

Signature Page

Choose File No file chosen **UPLOAD FILE**

CONTINUE **CANCEL**

ENTERING THE ANNUAL IAR-1 FORM INTO THE RED ZONE – CONTINUED

17. Review and Submit.

REMINDER: The following error message will appear if the **Annual Financial Report** was not completed and submitted with two signatures.

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2014 Annual IAR-1 Form for

You may not sign and submit your form until the following errors are corrected:

- You must submit an Annual Financial Form for the 2014 Fiscal Year before you can submit your Annual Audit Form.

General Information

Report for Fiscal Year: 2014

Chapter Name: .

Chapter Number:

Region:

Chapter Type:

Chapter EIN:

Chapter President:

Chapter Address:

Date Internal Audit Completed:

Financial Members:

What were the Chapter's Gross Receipts for this audit/fiscal period?

Audit Level:

HIRING A CPA

If your chapter requires the services of a **CPA**, follow the following process **before** a contract is signed:

1. If this is the first year that a **CPA** will be used, the Chair, Internal Audit should work with the audit committee to produce a candidate for recommendation to the Executive Board.
2. The Chair, Internal Audit should:
 - a. Ask the **CPA** for his or her license number as it appears on their license.
 - b. Go to **www.CPAVerify.com** to verify that the **CPA** has a license that is active and in good standing.
 - c. Take a screen shot of the license information for the chapter's records and to be uploaded during the Annual IAR-1 process.
3. The Budget/Finance Committee is not a part of the **CPA** hiring process.
4. The **CPA** cannot be a member of the chapter.

Note: If the chapter has used the same CPA for the past seven consecutive years, the audit committee should consider entertaining proposals from other **CPAs** or **CPA** firms to ensure the chapter is receiving the best service at a competitive price.

Engagement Letter

1. The Chair, Internal Audit Committee should review the **Engagement Letter** to ensure that:
 - a. The proper service will be provided (i.e. a review or an audit. See sample **Engagement Letters** on pages 82-85) before the chapter president signs it.
 - b. The **CPA** will prepare the financial statements using the Cash-Basis of accounting as required by the National Finance Committee.

Conclusion

1. The **CPA** should return the chapter's books, records and documents at the conclusion of the review or audit.
2. The Chair, Internal Audit Committee should review the draft of the **CPA's** opinion prior to it being finalized to ensure any issues, comments or concerns have been addressed.
3. The Chair, Internal Audit Committee should request that a .pdf version of the **CPA's** Opinion Letter and the chapter's financial statements be provided to the chapter at the conclusion of the audit.

CPA ENGAGEMENT LETTER – Review - EXAMPLE

CPA NAME AND LOGO

REVIEW ENGAGEMENT LETTER

(Date)

Name of Chapter
Chapter President's Name
(Client Name)

Dear Chapter President:

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services I will provide.

I will perform the following services:

I will review the balance sheet of (Chapter Name) as of June 30, (year), and the related statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. If (Chapter Name) has not prepared these statements, I will prepare and review the following statements on their behalf.

- 1.
- 2.
- 3.

My review will consist primarily of inquiries of the chapter's fiscal officers and analytical procedures applied to financial data and I will require a representation letter from the fiscal officers. A review does not contemplate obtaining an understanding of the internal control or assessing control risk, tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and conducting certain other procedures ordinarily performed during an audit. Thus, a review does not provide assurance that I will become aware of all significant matters that would be disclosed in an audit. Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or

defalcations that may exist. However I will inform you of any material errors, irregularities, or illegal acts of which I become aware during my engagement. I will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and, accordingly, I will not express such an opinion on them.

My report on the financial statements is presently expected to read as follows:

I have reviewed the financial statements (listed above) of (Chapter Name) as of June 30, (year), and for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the fiscal officers of (Client Name).

CPA ENGAGEMENT LETTER – Review EXAMPLE– CONTINUED

My review consists principally of inquiries of company personnel and analytical procedures applied to financial data; it is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to accompanying financial statements in order for them to be in conformity with generally accepted accounting principles generally accepted in the United States of America.

If, for any reason, I am unable to complete my review of your financial statements, I will not issue a report on such statements as a result of this engagement.

It is my policy to keep work papers related to this engagement for seven years. Upon the expiration of the seven years the work papers will be destroyed. During the engagement I will only take copies of the original records and it is your responsibility to retain and protect your records for possible future use.

My fees for this will be at our regular hourly rates for the individual's involved plus direct out-of-pocket expenses. Payment for service is due when rendered and interim billings may be submitted as work progresses and expenses are incurred.

Billings become delinquent if not paid within 30 days of the invoice date. If billings are past due in excess of days, we will stop all work until your account is brought current, or withdrawn from this engagement. (Client) acknowledges and agrees that we are not required to continue work in the event of (client's) failure to pay on a timely basis for services rendered as required by this engagement letter. (Client) further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of (client's) failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to (client) for any damages that occur as a result of our ceasing to render services.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

I shall be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Sincerely,

NAME of CPA

Acknowledged:

Firm name

Representative

Date

CPA ENGAGEMENT LETTER – Audit - EXAMPLE

Purpose of this Tool

The following is an example of an audit engagement letter for an audit of general purpose financial statements prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Financial Accounting Standards Board. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this Statement on Auditing Standards. The letter will vary according to individual requirements and circumstances and is drafted to refer to the audit of financial statements for a single reporting period. The auditor may seek legal advice about whether a proposed letter is suitable.

To the appropriate representative of those charged with governance of NFP Organization:

[The objective and scope of the audit]

You have requested that we audit the financial statements of NFP Organization, which comprise the statement of financial position as of December 31, 20XX, and the related statements of activities, cash flows [and statement of functional expenses, if applicable] for the year then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

[The responsibilities of the auditor]

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

[The responsibilities of management and identification of the applicable financial reporting framework]

CPA ENGAGEMENT LETTER – Audit - EXAMPLE

Our audit will be conducted on the basis that *[management and, when appropriate, those charged with governance]* acknowledge and understand that they have responsibility

- a.* for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b.* for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c.* to provide us with
 - i.* access to all information of which *[management]* is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - ii.* additional information that we may request from *[management]* for the purpose of the audit; and
 - iii.* unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from *[management and, when appropriate, those charged with governance]*, written confirmation concerning representations made to us in connection with the audit.

[Other relevant information]

[Insert other information, such as fee arrangements, billings, and other specific terms, as appropriate.]

[Reporting]

[Insert appropriate reference to the expected form and content of the auditor's report. Example follows:]

We will issue a written report upon completion of our audit of ABC Company's financial statements. Our report will be addressed to the board of directors of ABC Company. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

We also will issue a written report on *[Insert appropriate reference to other auditor's reports expected to be issued.]* upon completion of our audit.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

XYZ & Co.

Acknowledged and agreed on behalf of NFP Organization by

[Signed]

[Name and Title]

[License # and Licensing State]

[Date]

SUMMARY AUDIT REPORT - EXAMPLE

**Review of the Financial Records
ABC Chapter
Delta Sigma Theta Sorority, Incorporated
For the Period July 1, 201X to June 30, 201Y**

Summary Audit Report

The Internal Audit Committee completed a review of the financial records of ABC Chapter of Delta Sigma Theta Sorority, Incorporated for the period July 1, 201X to June 30, 201Y. The review included a 25% validation of disbursements, receipts, deposits, and 100% of membership **dues** collected during the period.

A summary of the findings is listed below.

No material loss of the financial assets exists. However good fiscal controls were not used during the period of review, which led to a misrepresentation of the financial health of the chapter. Continued processing of the financial records in this manner can lead to losses of money in the future. Changes need to be made immediately to avoid potential losses to the chapter. The findings are as follows:

1. Deposits are not being made in accordance with the sorority requirement of two (2) business days from the receipt of funds.
2. Member **dues** are not being submitted to National Headquarters in accordance with the Constitution and Bylaws requirement of 30 days from receipt.
3. The financial secretary's logs are not being reconciled to the treasurer's reports.
4. Bank reconciliations are not being performed in a timely manner nor are adjustments made to the checkbook check register.
5. Approximately 30% of disbursements are not supported by a properly documented and approved voucher.
6. Financial reports do not accurately represent the financial status of the chapter's assets.

All numbers have been reconciled and balances as of June 30, 201Y are accurately reflected in the financials. A copy of the **Detailed Audit Report** has been provided for the chapter's records.

DETAILED AUDIT REPORT - EXAMPLE

**Review of the Financial Records
ABC Chapter
Delta Sigma Theta Sorority, Incorporated
For the Period July 1, 201X to June 30, 201Y**

Summary

The Internal Audit Committee completed a review of the financial records of ABC Chapter of Delta Sigma Theta Sorority, Incorporated for the period July 1, 201X to June 30, 201Y. The review included a 25% validation of disbursements, receipts, deposits, and 100% of membership **dues**.

A summary of the findings is listed below. Detailed information and recommendations follow the summary remarks.

No material loss of the financial assets exists. However good fiscal controls were not used during the period of review, which led to a misrepresentation of the financial health of the chapter. Continued processing of the financial records in this manner can lead to losses of money in the future. Changes need to be made immediately to avoid potential losses to the chapter. The findings are as follows:

1. Deposits are not being made in accordance with the sorority requirement of two (2) business days from receipt of funds.
2. Member **dues** are not being submitted to National Headquarters in accordance with the Constitution and Bylaws requirement of 30 days from receipt.
3. The financial secretary's logs are not being reconciled to the treasurer's reports.
4. Bank reconciliations are not being performed in a timely manner nor are adjustments made to the checkbook check register.
5. Approximately 30% of disbursements are not supported by a properly documented and approved voucher.
6. Financial reports do not accurately represent the financial status of the chapter's assets.

Detailed worksheets and schedules are provided in addition to revised financial reports, bank reconciliations, a check register, receipt logs and member logs. All numbers have been reconciled and balances as of June 30, 201Y are accurately reflected in the financials.

DETAILED AUDIT REPORT – EXAMPLE CONTINUED

Detailed Findings and Recommendations

FINANCIAL REPORTS

Financial reports do not accurately reflect receipts, disbursements, and encumbrances. Some receipts have not been reported, and balances from one period to the next are not the same. Some periods are not represented by a financial report. Some examples are detailed below:

1. June 201Y – Beginning balance \$11,400.89 is not the ending balance of the May 201Y report.
2. There is no report that represents the disbursements and receipts for June and July.
3. The current month's disbursements for April 201Y are \$700 less than the recorded checks for the month.
4. Financial reports do not reflect the reconciled cash balance.
5. There is a \$2,722.88 unexplained difference between what was collected and what was reported. The financial secretary reported receipts totaling \$12,722.88, while the treasurer reported only \$10,000.00 on the monthly financial reports.

DISBURSEMENTS

Disbursements are not being made based on good fiscal policy. No approval was available for the budget overrun. In addition, non-check disbursements, which make up 25% of all disbursements, violate the requirement to have two signatures on disbursements. Vouchers mandated by the Fiscal Officers Manual were used, but not in all cases. The detailed findings are as follows:

1. Vouchers are not used for all disbursements. Only 62% of all disbursements were supported by a voucher.
2. No committee chair approval existed on 35% of vouchers.
3. Approximately 47% of the vouchers did not agree with the supporting documents.
4. A reimbursement amount to XYZ vendor was made with supporting documentation indicating it represented an overpayment. There was no documentation existing in the financial secretary's logs to support an overpayment of this amount.
5. Late fees totaling \$75 were disbursed without collections from the members.

DETAILED AUDIT REPORT - EXAMPLE CONTINUED

RECEIPTS

The following discrepancies were noted:

1. In May of 201Y, the treasurer deposited \$10,207.88 in the bank. The financial secretary's logs however indicate that \$10,907.88 was collected during May. The amount in question was \$700.00 of cash that was unaccounted for.
2. The source and purpose for \$2,890 in receipts was not described.
3. The financial secretary's records did not include documentation for a June 18 deposit totaling \$5,000.

Other findings with regard to receipts are as follows:

1. The financial secretary's logs are not consistent from month to month and do not provide an easy means of determining the total receipts by category for the period.
2. Non cash or check amounts were recorded in the logs and included in the balances.
3. Member logs were not maintained to track member financial status.

RECEIPTS

15% of the receipts that were tested were not made within two (2) business days as required. This renders the chapter ineligible to receive assistance from the liability insurer in the event of a loss of the chapter's funds. Additionally, deposits could not be readily reconciled to receipts.

BANK RECONCILIATIONS

There was no evidence that the bank statements had been reconciled. We noted the following:

1. The checkbook balance varied significantly from the actual reconciled checking account balance. The check register as of June 24, 201Y was \$28,348.73. The actual reconciled checking account balance was \$26,336.46.

DETAILED AUDIT REPORT - EXAMPLE CONTINUED

If disbursements were made based on the balance appearing in the checkbook check register, the chapter could write NSF (non-sufficient funds) checks.

MEMBER DUES AND VALIDATION

Overall member status is accurate. National **dues** were submitted within thirty days of receipt in most cases. The following findings were noted however:

1. No member log exists (or was made available) to capture and track **dues** receipt and payment to Grand Chapter. There is also no easy way to determine who is financial from the information provided.
2. The Red Zone financial roster for the applicable sorority year is not being reviewed to ensure the members are properly credited.
3. Members have been overcharged national **dues**/fees. In some cases, both reinstatement and late fees were charged. Either one or the other applies, not both. These errors appear to have been noted and corrected. However, the amounts due these sorors have not been reimbursed.
4. Ten sorors' **dues** were submitted before their personal checks had cleared.
5. In twelve cases, the sorors' **dues** were submitted in excess of 30 days.
6. Three member's **dues** were incorrectly posted to the prior fiscal year.
7. Payments had not been submitted for three (3) members.

GENERAL COMMENTS AND FINDINGS

The chapter is required to maintain bonding insurance on all fiscal officers. No bonding insurance could be found for the assistant financial secretary position. A transmittal appears in the records; however, no actual disbursement can be found. The current bonding amount of the president and treasurer is sufficient to cover current receipts.

DETAILED AUDIT REPORT - EXAMPLE CONTINUED

RECOMMENDATIONS

1. Detailed fiscal policies and procedures need to be developed, documented in the chapter's policies and procedures which are submitted to the National Scholarship and Standards Committee, and followed by the fiscal officers and chapter members.
2. Bank statements should be reconciled monthly and financial reports should reflect any unrecorded charges and credits. The check register should be updated to reflect the reconciled balance.
3. Member logs should be maintained and reconciled to Grand Chapter's records on a regular basis.
4. Member's **dues** (national and local) must be collected at the same time. National dues must be submitted within 30 days of receipt. In the instance where the incorrect amount of dues was submitted, the 30 days begins after the full amount owed has been received by the financial secretary and deposited by the treasurer.
5. Deposits should be made within two (2) business days of receipt as required by the Fiscal Officers Manual.
6. Financial secretary logs should be balanced and reconciled to actual cash and checks given to the treasurer. All monies should be turned over to the treasurer promptly upon receipt.
7. Monies should be collected only during, before or after chapter meetings, executive board meetings or any time or place approved by the president and fiscal officers.
8. Encumbrances should be recorded for amounts which are restricted from use such as national **dues**, scholarship funds, etc.
9. All fiscal officers must be bonded based on the amount of funds it is anticipated they will handle.
10. Vouchers must be used for all disbursements. These vouchers should be approved by the appropriate committee chair, treasurer and president, and supported by actual receipts, invoices and other documentation.
11. Receipt logs need to have a consistent format and reflect actual receipt of money. A summarization by category of receipts is recommended to make it easy to reconcile the financial secretary's receipts to what is reported to the chapter by the treasurer.

FISCAL POLICIES AND PROCEDURES

The Chair, Internal Audit and the Internal Audit Committee members are responsible for reading the chapter's financial policies and procedures.

Note: The National Fiscal Officers Manual contains sample Financial Policies and Procedures.

AUDIT POLICIES AND PROCEDURES - EXAMPLE

Policies and Procedures Internal Audit Committee

Policy:

The committee shall conduct an internal audit of the chapter financial records on a quarterly basis and complete the Annual IAR-1 form by the required due date.

Standard(s):

The committee shall consist of a chair, elected by the chapter, and two to four members appointed by the president. The members shall not be the current financial officers or serve on the Budget/Finance Committee, but shall have some knowledge of the chapter fiscal operations and general accounting procedures (i.e., past financial officers and members with an accounting or financial background). Immediate past fiscal officers may serve as either chair or member as long as they are not auditing transactions that occurred during their tenure.

Procedures:

I. Duties of the Chair

- A. The chair shall secure a location for the meeting and contact members to attend.
- B. The chair shall collect the required financial records from the financial officers in accordance with the schedule recommended by the National Internal Audit Committee.
- C. The financial records should be returned to the fiscal officers before the next scheduled executive board meeting. A draft of the audit report should be discussed with the fiscal officers before the audit report is finalized. The chair shall make a report to the chapter of the audit findings and recommendations for improvements, if any.
- D. The chair of the audit committee will submit the quarterly Internal Audit Report online in the **Red Zone** by the following dates:
 - 1st Quarter – December 1
 - 2nd Quarter – March 1
 - 3rd Quarter – June 1
 - 4th Quarter – August 1

AUDIT POLICIES AND PROCEDURES – EXAMPLE – CONTINUED

II. Process

- A. The **Summary Audit Report** is to be read at the executive board meeting before it is read at the chapter meeting in the following months:
 - 1. November
 - 2. February
 - 3. May
 - 4. September
- B. The **Detailed Audit Report** is to be given to the recording secretary and made available for review at the executive board and chapter meetings.
- C. The chair shall secure the books for the committee's audit of the 4th quarter transactions by **July 15** and upon completion of the audit return the books to the treasurer. If the services of a **CPA** are required, the treasurer will then provide the books to the **CPA** for the external review or audit.
- D. The chapter president will review and sign the submissions in the **Red Zone** prior to the above-stated due dates.
- E. The treasurer shall obtain the following items from the **CPA** by **August 15**:
 - 1. **CPA** report or opinion letter on the **CPA's** letterhead, including **CPA** signature and license number
 - 2. **CPA** prepared financial statements for the chapter for the year ended June 30th.
 - 3. Any books, records or documents given to the **CPA** for the purpose of the review or audit.
- F. The chair will complete the Annual Internal Audit Report (IAR-1) in the Red Zone and upload the documents obtained from the **CPA** and the **Signature Page** (signed by the audit committee members) into the **Red Zone** by **August 31**. The chapter president will then review and sign the submission in the **Red Zone** to complete the process.
- G. The chair shall review the **CPAs** report with the president and financial officers, then the executive board and finally the chapter.

III. Duties of the Committee

- A. The committee shall review the chapter's financial records quarterly
- B. The committee shall verify the existence of and chapter adherence to the internal controls. The review of the controls consists of, but is not limited to, the following:

AUDIT POLICIES AND PROCEDURES – EXAMPLE – CONTINUED

1. Verification of receipts for the period;
 2. Verification of expenditures for the period;
 3. Verification of 100% of member **dues**;
 4. Verification of savings and checkbook balances;
 5. Verification that account balances have been reconciled;
 6. Assurance of the presence of expenditure documentation (receipts, vouchers, invoices, etc.);
 7. Assurance of the adherence to budget line items;
 8. Assurance of the adherence to separation of fiduciary responsibilities
 9. Audit PayPal and all other electronic payments and receipts in accordance with mandates set forth in the National Internal Audit Manual
- C. The committee will document and recommend improvements to the internal controls to address any weaknesses.
- D. The audit committee shall complete Form IAR-1 audit worksheets as part of the quarterly review process.

IV. Independent Audit or Review- If based on the total or expected total **Gross Receipts**, an audit or review is required, the committee shall recommend a certified public accountant (**CPA**) for the chapter approval based on the stipulations below:

- A. If this is the first year a **CPA**'s service is required, the committee shall obtain three bids from Certified Public Accountants.
- B. The committee shall recommend a licensed **CPA** with an active license in good standing
- C. The **CPA** cannot be a member of the _____ Chapter.
- D. The liaison for the independent audit or review with the **CPA** shall be the treasurer.

GLOSSARY

Term	Definition
Annual Financial Report	The Annual Financial Report is the annual report of the chapter's financial activity. It was formerly called the 990.
Assisting Soror	The Assisting Soror is a soror who conducts audits on behalf of a chapter other than her own.
Audit Work Papers	The Audit Work Papers are used to document the audit tests which are performed each quarter. The latest version can be found on the National website in the Members Only section. Click on National Committees and then scroll down to Internal Audit.
CPA	A CPA is a Certified Public Accountant or a CPA firm that has an active license in good standing to provide professional services for a fee.
Detailed Audit Report	The Detailed Audit Report contains the comprehensive results of the audit testing which supports the information in the Summary Audit Report
Dues	Dues represents local and national dues.
Gross Receipts	Gross Receipts represent the sum of all monies received by the chapter.
Quarterly Audit Form	The Quarterly Audit Form is the online form in the Red Zone used to report the results of each chapter's quarterly audit.
Separation of Duties	Separation of Duties , also known as "Segregation of duties" is the concept of having more than one person required to complete a task. In business the separation by sharing of more than one individual in one single task is an internal control intended to prevent fraud and error.
Signature Page	The Signature Page is to be signed by every soror who participates in an audit each time she participates. It is uploaded by the Chair, Internal Audit when the Annual IAR-1 is completed in the Red Zone.
Summary Audit Report	The Summary Audit Report notifies the chapter of any weaknesses in the financial structure of the chapter by way of <u>findings</u> , and provides <u>recommendations</u> for improvement.

National Internal Audit Committee
Myrna Phillips, C.P.A., MBA, PMP, Chair
Tiffany Addison - Collegiate Member
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Taylor Wilborn - Collegiate Member